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**Brookhaven School District  
Financial Statements  
For the Year Ended  
June 30, 2008**

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**FINANCIAL & COMPLIANCE**

**Brookhaven School District  
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Brookhaven School District

FINANCIAL AUDIT REPORT

# **PATRICK E. LOWERY AND ASSOCIATES**

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

**Superintendent and School Board  
Brookhaven School District**

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

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

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

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

The Management's Discussion and Analysis on pages 4 through 13 and the Budgetary Comparison Schedule and corresponding notes on pages 36 through 38 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

*Patrick E. Lowery and Associates*

Patrick E. Lowery & Associates  
Certified Public Accountants  
January 8, 2009

Brookhaven School District

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

# Brookhaven School District

P.O. Box 540

Brookhaven, Mississippi 39602-0540



Lea Barrett  
Superintendent

Deputy Superintendent  
James V. Tillman, Ed.S.  
Director of Instructional Programs  
Federal Programs Coordinator  
Marsha F. Bond  
Finance Director  
Susan Quin, CPA

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

## FINANCIAL HIGHLIGHTS

- Total net assets, including the effect of prior period adjustments, increased \$1,130,680, which represents a 7% increase from fiscal year 2007. This increase in net assets is primarily due to the following: 1) sixteenth section sources generated during the fiscal year primarily from oil and gas royalties, pro rata revenue received from other school districts, the sale of timber and earnings on investments, and 2) an increase in the amount of revenue from state sources received under the Mississippi Adequate Education Program (MAEP).
- General revenues accounted for \$22,752,071 in revenue, or 82% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,915,274, or 18% of total revenues.
- The District had \$26,590,100 in expenses; only \$4,915,274 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$22,752,071 were adequate to provide for these programs.
- Among major funds, the General Fund had \$20,683,946 in revenues and \$20,678,714 in expenditures. After transfers from the General Fund to other governmental funds in the amount of \$439,917, the net change in fund balance for the General Fund was a decrease of \$390,458 from the previous fiscal year.
- Capital assets, net of accumulated depreciation, decreased by \$434,952 due primarily to the current year depreciation of capital assets.
- Long-term debt decreased by \$616,039 due primarily to principal payments made during the fiscal year on existing long-term debt.

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

## OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133, a schedule of instructional, administrative and other expenditures for governmental funds and Statement of Revenues, Expenditures and Changes in Fund Balance, General Fund and All Governmental Funds, Last Four Years are also included in this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

**Net assets.** Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$17,966,855 as of June 30, 2008.

The district's net assets are comprised of 1) net assets invested in capital assets, net of related debt, 2) restricted net assets and 3) unrestricted net assets. \$10,769,654 of the District's net assets (60%) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending. \$3,969,348 of the District's net assets (22%) reflects its restricted net assets. A portion of the restricted net assets is expendable for school based activities, debt service, forestry improvements and unemployment benefits. The remaining portion of the restricted net assets is nonexpendable for 16<sup>th</sup> section investment purposes. \$3,227,853 of the District's net assets (18%) reflects its unrestricted 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, 2008 and comparative data for the fiscal year ended June 30, 2007.

	<u>Net Assets</u>		<u>Percentage</u>
	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Change</u>
Current assets	\$ 5,360,701	\$ 5,862,900	(8.6) %
Other assets	2,521,458	1,407,019	79.2 %
Capital assets, net	<u>17,313,654</u>	<u>17,748,606</u>	(2.5) %
<b>Total assets</b>	<u>25,195,813</u>	<u>25,018,525</u>	0.7 %
Current liabilities	433,019	770,372	(43.8) %
Long-term debt outstanding	<u>6,795,939</u>	<u>7,411,978</u>	(8.3) %
<b>Total liabilities</b>	<u>7,228,958</u>	<u>8,182,350</u>	(11.7) %
<b>Net assets:</b>			
Invested in capital assets, net of related debt	10,769,654	10,543,606	2.1 %
Restricted	3,969,348	2,611,938	52.0 %
Unrestricted	<u>3,227,853</u>	<u>3,680,631</u>	(12.3) %
<b>Total net assets</b>	<u>\$ 17,966,855</u>	<u>16,836,175</u>	6.7 %

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

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

- Current assets decreased from the previous fiscal year due primarily to a decrease in cash and cash equivalents.
- Other assets increased from the previous fiscal year. Other assets include deferred charges related to bond issuance costs and restricted assets. Restricted assets increased from the previous fiscal year due to the increase in cash and cash equivalents in the 16<sup>th</sup> Section Principal Fund.
- Capital assets decreased from the previous fiscal year due primarily to the current year depreciation of capital assets.
- Current liabilities decreased from the previous fiscal year due primarily to a decrease in accounts payable and accrued liabilities.
- Long-term debt outstanding decreased from the previous fiscal year due primarily to principal payments made during the fiscal year on existing long-term debt.
- Restricted net assets increased from the previous fiscal year due primarily to an increase in amounts restricted for school based activities and sixteenth section purposes.
- Unrestricted net assets decreased from the previous fiscal year due primarily to the decrease in the fund balance of the General Fund.

**Changes in net assets.** The District's total revenues for the fiscal year ended June 30, 2008 were \$27,667,345. The total cost of all programs and services was \$26,590,100. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2008 and comparative data for the fiscal year ended June 30, 2007.

	<u>Change in Net Assets</u>		<u>Percentage Change</u>
	<u>June 30, 2008</u>	<u>June 30, 2007</u>	
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 947,948	\$ 978,762	(3.1) %
Operating grants and contributions	3,967,326	3,657,872	8.5 %
General revenues:			
Property taxes	7,362,735	7,314,098	0.7 %
Grants and contributions not restricted	13,714,830	12,867,372	6.6 %
Other	<u>1,674,506</u>	<u>910,664</u>	83.9 %
<b>Total revenues</b>	<b><u>27,667,345</u></b>	<b><u>25,728,768</u></b>	<b>7.5 %</b>
<b>Expenses:</b>			
Instruction	15,504,923	13,957,068	11.1 %
Support services	8,841,603	8,468,430	4.4 %
Non-instructional	1,703,432	1,584,980	7.5 %
Sixteenth section	226,314	95,255	137.6 %
Interest and other expenses			

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

on long-term liabilities	<u>313,828</u>	<u>340,350</u>	(7.8) %
<b>Total expenses</b>	<u>26,590,100</u>	<u>24,446,083</u>	8.8 %
<b>Increase (Decrease) in net assets</b>	1,077,245	1,282,685	(16.0) %
<b>Net Assets, July 1</b>	16,836,175	15,547,018	8.3 %
<b>Prior Period Adjustments</b>	<u>53,435</u>	<u>6,472</u>	725.6 %
<b>Net Assets, Restated, July 1</b>	<u>16,889,610</u>	<u>15,553,490</u>	8.6 %
<b>Net Assets, June 30</b>	<u>\$17,966,855</u>	<u>\$ 16,836,175</u>	6.7 %

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

- Program revenues increased from the previous fiscal year due primarily to an increase in operating grants and contributions.
- General revenues increased from the previous fiscal year due primarily to an increase in unrestricted state grants and contributions related to MAEP and an increase in sixteenth section sources (other general revenue).
- Instruction expenses increased from the previous fiscal year due primarily to an increase in salaries and benefits of district employees related to pay raises, the addition of new teacher units at various levels and the addition of lead (mentor) teachers at each school. The increase in instructional expenses can also be attributed to technology improvements in each classroom.

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

	<u>2008</u>		<u>2007</u>	
	<u>Total Expenses</u>	<u>Net (Expense) Revenue</u>	<u>Total Expenses</u>	<u>Net (Expense) Revenue</u>
Instruction	\$ 15,504,923	\$ (12,982,504)	\$ 13,957,068	\$ (11,636,063)
Support services	8,841,603	(7,894,607)	8,468,430	(7,503,201)
Non-instructional	1,703,432	(284,957)	1,584,980	(234,930)
Sixteenth section	226,314	(198,930)	95,255	(94,905)
Interest and other expenses on long-term liabilities	<u>313,828</u>	<u>(313,828)</u>	<u>340,350</u>	<u>(340,350)</u>
<b>Total expenses</b>	<u>\$ 26,590,100</u>	<u>\$ (21,674,826)</u>	<u>\$ 24,446,083</u>	<u>\$ (19,809,449)</u>

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

- The net cost of governmental activities for fiscal year 2008 in the amount of \$21,674,826 was financed by general revenue, which is made up of primarily property taxes of \$7,362,735 and state revenue of \$13,553,682.
- Investment earnings accounted for \$205,132 of funding.

#### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed fiscal year June 30, 2008, its governmental funds reported a combined fund balance of \$7,331,103. The net change in fund balance for the fiscal year was an increase of \$960,823 due primarily to sixteenth section sources generated during the fiscal year primarily from oil and gas royalties, pro rata revenue received from other school districts, the sale of timber and earnings on investments. \$4,589,900, or 63%, of the fund balance is reported by fund type in the unreserved, undesignated section of the Governmental Funds Balance Sheet. The portion of the fund balance reported in the General Fund is available for spending at the District's discretion. The portion of the fund balance reported in the Special Revenue Funds will be used for school based activities. The remaining fund balance of \$2,741,203, or 37%, is reserved or designated to indicate that it is not available for spending because it has already been committed. This portion of the fund balance is reserved for inventory, prepaid items, unemployment benefits, forestry improvements, debt service purposes and permanent fund purposes.

The General Fund is the principal operating fund of the District. The net change in fund balance for the General Fund for the fiscal year was a decrease of \$390,458 due primarily to transfers to other governmental funds during the fiscal year. The net change in fund balance for the Bond Debt Service Fund for the fiscal year was a decrease of \$112,752 due to the deficiency of tax revenues over the cost of debt service payments during the fiscal year. The net change in fund balance for the 16<sup>th</sup> Section Principal Fund for the fiscal year was an increase of \$1,133,606 due primarily to sixteenth section sources generated during the fiscal year mainly from oil and gas royalties, pro rata revenue received from other school districts, the sale of timber and earnings on investments. The net change in fund balance for the Other Governmental Funds for the fiscal year was an increase of \$330,291 due primarily to the excess of revenues and other financing sources over expenditures and other financing uses in various funds.

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

**BUDGETARY HIGHLIGHTS**

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

- Budgeted amounts for revenue from local and federal sources in the General Fund were decreased to reflect actual revenue received during the fiscal year. The amounts originally budgeted were overstated.
- Budgeted amounts for instruction expenditures in the General Fund were increased primarily to reflect expenditures incurred for technology improvements in the classrooms. These expenditures were included in the original budget as support services expenditures but were recorded as instructional expenditures on the financial statements. This also caused the need for budget revisions to decrease support services expenditures during the fiscal year.

Other budget revisions were made during the fiscal year to increase or decrease revenues and expenditures as needed. However, these revisions were considered routine in nature and were not significant when compared with overall revenues and expenditures.

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2008, the District's total capital assets, before depreciation, were \$24,342,593, including land, buildings, building improvements, improvements other than buildings, mobile equipment and furniture and equipment. This amount represents a gross increase of \$258,099 from the previous year due primarily to the purchase of three new school buses and various other items of mobile equipment and furniture and equipment. Total depreciation expense for the year was \$698,240. Total accumulated depreciation as of June 30, 2008 was \$7,028,939, resulting in total net capital assets of \$17,313,654.

	<u>Capital Assets, Net of Depreciation</u>		<u>Percentage Change</u>
	<u>2008</u>	<u>2007</u>	
Land	\$ 167,049	\$ 167,049	0.0 %
Buildings	15,499,688	15,866,907	(2.3) %
Building improvements	299,655	317,781	(5.7) %
Improvements other than buildings	326,391	341,227	(4.3) %
Mobile equipment	830,050	724,115	14.6 %
Furniture and equipment	<u>190,821</u>	<u>331,527</u>	(42.4) %
<b>Total</b>	<b><u>\$17,313,654</u></b>	<b><u>\$ 17,748,606</u></b>	<b>(2.5) %</b>

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

**Debt Administration.** At June 30, 2008, the District had \$6,795,939 in general obligation bonds and other long-term debt outstanding, of which \$513,597 is due within one year. During the fiscal year, the District made principal payments in the amount of \$661,000 on existing long-term debt.

	<u>Outstanding Debt</u>		<u>Percentage Change</u>
	<u>2008</u>	<u>2007</u>	
General obligation bonds payable	\$ 6,544,000	\$ 7,015,000	(6.7) %
Three mill notes payable	0	190,000	(100.0) %
Compensated absences payable	<u>251,939</u>	<u>206,978</u>	21.7 %
<b>Total</b>	<b><u>\$ 6,795,939</u></b>	<b><u>\$ 7,411,978</u></b>	<b>(8.3) %</b>

**CURRENT ISSUES**

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

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Superintendent's Office of the Brookhaven School District, P. O. Box 540, Brookhaven, MS 39602.

Brookhaven School District

FINANCIAL STATEMENTS

Brookhaven School District  
Statement of Net Assets  
June 30, 2008

Exhibit A

	<u>Governmental</u> <u>Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 4,373,610
Due from other governments	931,675
Inventories and prepaid items	55,416
Deferred charge, debt issuance costs	191,666
Restricted assets	2,329,792
Capital assets, non-depreciable:	
Land	167,049
Capital assets, net of accumulated depreciation	
Buildings	15,499,688
Building Improvements	299,655
Improvements other than buildings	326,391
Mobile equipment	830,050
Furniture and equipment	<u>190,821</u>
<b>Total Assets</b>	<b>\$ <u>25,195,813</u></b>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 264,788
Due to other governments	64,082
Unearned revenue	30,520
Interest payable on long-term liabilities	73,629
Long-term liabilities, due within one year	
Capital related liabilities	501,000
Non-capital related liabilities	12,597
Long-term liabilities, due beyond one year	
Capital related liabilities	6,043,000
Non-capital related liabilities	<u>239,342</u>
<b>Total Liabilities</b>	<b>\$ <u>7,228,958</u></b>
<b>Net Assets</b>	
Investment in capital assets, net of related debt	\$ 10,769,654
Restricted net assets:	
Expendable:	
School - based activities	1,357,190
Debt service	96,481
Forestry improvements	121,576
Unemployment benefits	64,309
Non-expendable:	
Sixteenth section	2,329,792
Unrestricted	<u>3,227,853</u>
<b>Total Net Assets</b>	<b>\$ <u>17,966,855</u></b>

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

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

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
<b>Governmental Activities:</b>					
Instruction	\$ 15,504,923	575,965	1,946,454	-	(12,982,504)
Support services	8,841,603	-	946,996	-	(7,894,607)
Non-instructional	1,703,432	344,599	1,073,876	-	(284,957)
Sixteenth section	226,314	27,384	-	-	(198,930)
Interest on long-term liabilities	313,828	-	-	-	(313,828)
<b>Total governmental activities</b>	<b>\$ 26,590,100</b>	<b>947,948</b>	<b>3,967,326</b>	<b>-</b>	<b>(21,674,826)</b>

General Revenues:

Taxes:	
General purpose levies	6,649,728
Debt purpose levies	713,007
Unrestricted grants and contributions:	
State	13,553,682
Federal	161,148
Unrestricted investment earnings	205,132
Sixteenth section sources	1,428,505
Other	40,869
<b>Total General Revenues</b>	<b>22,752,071</b>
<b>Change in Net Assets</b>	<b>1,077,245</b>
Net Assets - Beginning	16,836,175
Prior Period Adjustments	53,435
<b>Net Assets - Restated</b>	<b>16,889,610</b>
<b>Net Assets - Ending</b>	<b>\$ 17,966,855</b>

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

Brookhaven School District  
 Balance Sheet - Governmental Funds  
 June 30, 2008

Exhibit C

	Major Funds					Total Governmental Funds
	General Fund	Title I-A Fund	Bond Debt Service Fund	16th Section Principal Fund	Other Governmental Funds	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 2,559,360	6,057	123,117	2,329,792	1,685,076	6,703,402
Due from other governments	322,687	184,115	233,168	-	165,074	905,044
Due from other funds	641,357	-	-	-	25,264	666,621
Inventories and prepaid items	17,423	-	-	-	37,993	55,416
<b>Total Assets</b>	<b>\$ 3,540,827</b>	<b>190,172</b>	<b>356,285</b>	<b>2,329,792</b>	<b>1,913,407</b>	<b>8,330,483</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 177,344	44,786	-	-	42,658	264,788
Unearned revenue	-	-	-	-	30,520	30,520
Due to other funds	57,934	139,577	350,765	-	155,796	704,072
<b>Total Liabilities</b>	<b>235,278</b>	<b>184,363</b>	<b>350,765</b>	<b>-</b>	<b>228,974</b>	<b>999,380</b>
<b>Fund Balances:</b>						
<b>Reserved for:</b>						
Inventory	14,027	-	-	-	37,993	52,020
Prepaid items	3,396	-	-	-	-	3,396
Unemployment benefits	-	-	-	-	64,309	64,309
Forestry improvements	-	-	-	-	121,576	121,576
Debt service purposes	-	-	5,520	-	164,590	170,110
Permanent fund purposes	-	-	-	2,329,792	-	2,329,792
<b>Unreserved:</b>						
<b>Undesignated, reported in:</b>						
General fund	3,288,126	-	-	-	-	3,288,126
Special Revenue funds	-	5,809	-	-	1,295,965	1,301,774
<b>Total Fund Balances</b>	<b>3,305,549</b>	<b>5,809</b>	<b>5,520</b>	<b>2,329,792</b>	<b>1,684,433</b>	<b>7,331,103</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,540,827</b>	<b>190,172</b>	<b>356,285</b>	<b>2,329,792</b>	<b>1,913,407</b>	<b>8,330,483</b>

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

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

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 7,331,103
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$7,028,939.	17,313,654
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds as follows.	
Long-term liabilities	(6,795,939)
Accrued interest on debt	(73,629)
3. Governmental funds report the effect of bond issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	<u>191,666</u>
Total Net Assets - Governmental Activities	<u>\$ 17,966,855</u>

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

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

Exhibit D

	Major Funds				Other	Total
	General Fund	Title I-A Fund	Bond Debt Service Fund	16th Section Principal Fund	Governmental Funds	Governmental Funds
<b>Revenues:</b>						
Local sources	\$ 7,000,486	-	527,842	-	924,352	8,452,680
State sources	13,588,342	-	-	-	553,855	14,142,197
Federal sources	95,118	1,061,180	-	-	2,383,661	3,539,959
Sixteenth section sources	-	-	-	1,301,702	230,807	1,532,509
<b>Total Revenues</b>	<b>20,683,946</b>	<b>1,061,180</b>	<b>527,842</b>	<b>1,301,702</b>	<b>4,092,675</b>	<b>27,667,345</b>
<b>Expenditures:</b>						
Instruction	12,644,691	688,833	-	-	1,689,464	15,022,988
Support services	7,726,442	344,994	-	-	805,739	8,877,175
Noninstructional services	307,581	27,353	-	-	1,322,414	1,657,348
Sixteenth section	-	-	-	168,096	58,218	226,314
Debt service:						
Principal	-	-	385,000	-	276,000	661,000
Interest	-	-	250,125	-	47,004	297,129
Other	-	-	5,469	-	-	5,469
<b>Total Expenditures</b>	<b>20,678,714</b>	<b>1,061,180</b>	<b>640,594</b>	<b>168,096</b>	<b>4,198,839</b>	<b>26,747,423</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>5,232</b>	<b>-</b>	<b>(112,752)</b>	<b>1,133,606</b>	<b>(106,164)</b>	<b>919,922</b>
<b>Other Financing Sources (Uses):</b>						
Operating transfers in	-	-	-	-	458,473	458,473
Operating transfers out	(439,917)	-	-	-	(18,556)	(458,473)
<b>Total Other Financing Sources (Uses)</b>	<b>(439,917)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>439,917</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(434,685)</b>	<b>-</b>	<b>(112,752)</b>	<b>1,133,606</b>	<b>333,753</b>	<b>919,922</b>
<b>Fund Balances:</b>						
July 1, 2007, as previously reported	3,696,007	5,673	118,272	1,196,186	1,354,142	6,370,280
Prior period adjustments & reclassifications	47,766	136	-	-	5,533	53,435
July 1 2007, as restated	3,743,773	5,809	118,272	1,196,186	1,359,675	6,423,715
Increase (Decrease) in reserve for inventory	(3,539)	-	-	-	(8,995)	(12,534)
<b>June 30, 2008</b>	<b>\$ 3,305,549</b>	<b>5,809</b>	<b>5,520</b>	<b>2,329,792</b>	<b>1,684,433</b>	<b>7,331,103</b>

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

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

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 919,922
Amounts reported for governmental activities in the statement of activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate these expenditures over the life of the assets. Capital asset purchases amounted to \$263,340 and the depreciation expense amounted to \$698,240.	(434,900)
2. Issuance cost for long-term liabilities is reported as expenditures in the governmental funds, but is deferred and the expense is amortized in the Statement of Activities.	(19,167)
3. 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 activity.	661,000
4. In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in governmental funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the following item:	
Losses on sales of capital assets	(52)
5. Expenses in the statement of activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated Absences	(44,961)
6. 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.	7,937
7. An increase (+)/decrease(-) in the reserve for inventory is reported as a direct increase/decrease to the fund balance in the governmental funds but is a decrease/increase in noninstructional service expenses in the Statement of Activities.	<u>(12,534)</u>
Change in Net Assets of Governmental Activities	\$ <u><u>1,077,245</u></u>

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

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

Exhibit E

		Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$	464,702
Due from other funds		<u>64,082</u>
<b>Total Assets</b>	<b>\$</b>	<b><u>528,784</u></b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$	502,153
Due to other funds		<u>26,631</u>
<b>Total Liabilities</b>	<b>\$</b>	<b><u>528,784</u></b>

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

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

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

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

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

B. Basis of Presentation.

*Government-wide Financial Statements:*

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

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

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

The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific

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

function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

*Fund Financial Statements:*

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

The school district reports the following major governmental funds:

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

**Title I-A Fund** - This fund accounts for revenues and expenditures associated with the Title I federal grant program.

**Bonded Debt Service Fund** - This fund accounts for the income and expenditures related to repayment of the school district's long term debt.

**16<sup>th</sup> Section Principal Fund**—This fund accounts for nonexpendable revenues generated from 16<sup>th</sup> section land that is required to be held in trust for the school district.

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

Additionally, the school district reports the following fund types:

**GOVERNMENTAL FUNDS**

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

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

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

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

**FIDUCIARY FUNDS**

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

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

C. Measurement Focus and Basis of Accounting.

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

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

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

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

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

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

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

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

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

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

D. Account Classifications.

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

E. Encumbrances.

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

F. Assets, Liabilities, and Net Assets or Equity.

1. Cash, Cash equivalents and Investments.

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

Investments.

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

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

Investments are reported at fair market value.

2. Receivables and payables.

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

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

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

3. Due from Other Governments.

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

4. Inventories and Prepaid Items.

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

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

5. Restricted Assets.

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

6. Capital Assets.

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

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

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

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years

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

Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

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

7. **Compensated Absences.**

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

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

8. **Long-term liabilities, Deferred Debt Expense, and Bond Discounts/Premiums.**

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

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

9. **Fund equity.**

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

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

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.

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

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

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

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

Reserved for debt service - An account that represents 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.

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

(2) Cash and Cash Equivalents.

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 district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$6,703,402 and \$464,702, respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents \$4,373,610, and Restricted assets, 2,329,792. The bank balance was \$8,798,470.

*Custodial Credit Risk-Deposits.* Custodial risk is defined as the risk that, in the event of a 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 formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2008, \$0 of the district's bank balance of \$8,798,470 was exposed to custodial credit risk.

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

(3) Interfund Receivables, Payables and Transfers.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Title I fund	\$ 139,577
	Bond Debt service fund	350,765
	Fiduciary Funds	26,631
	Other governmental funds	124,384
Other governmental funds	General fund	9,208
	Other governmental funds	16,056
Fiduciary funds	General fund	48,726
	Other governmental funds	15,356
Total Funds		<u>\$ 730,703</u>

The purpose of the interfund receivables and payables are to close-out federal program funds at year end. All interfund receivables and payables are expected to be repaid within one year.

B. Interfund Transfers.

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General fund	Other governmental funds	\$ 439,917
Other Governmental Funds	Other governmental funds	18,556
Total Funds		<u>\$ 458,473</u>

The purposes of interfund transfers are to transfer federal program indirect costs to the General fund and to close out federal programs at year end. These transfers are consistent with the activities of the fund making the transfer.

(4) Restricted Assets.

The restricted assets represent the cash balances, totaling \$2,329,792 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.

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

(5) Capital Assets.

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

	Balance 7-1-2007	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2008
<b>Non-depreciable capital assets:</b>						
Land	167,049					167,049
Total non-depreciable capital assets	167,049					167,049
<b>Depreciable capital assets:</b>						
Buildings	19,621,928					19,621,928
Building improvements	453,149					453,149
Improvements other than bldg	370,899					370,899
Mobile equipment	2,025,933	229,870				2,255,803
Furniture and equipment	1,445,536	33,470	5,241			1,473,765
Total depreciable capital Assets	23,917,445	263,340	5,241			24,175,544
<b>Less accumulated depreciation for:</b>						
Buildings	(3,755,021)	(367,219)				(4,122,240)
Building improvements	(135,368)	(18,126)				(153,494)
Improvements other than bldg	(29,672)	(14,836)				(44,508)
Mobile equipment	(1,301,818)	(123,935)				(1,425,753)
Furniture and equipment	(1,114,009)	(174,124)	5,189			(1,282,944)
Total accumulated depreciation	(6,335,888)	(698,240)	5,189			(7,028,939)
Total depreciable capital assets, net	17,581,557	(434,900)	52			17,146,605
Governmental activities capital assets, net	\$ 17,748,606	(434,900)	52			17,313,654

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 478,332
Support services	183,006
Non-instructional	36,902
Total depreciation expense	\$ 698,240

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

(6) Long-term liabilities.

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

	Balance 7-1-2007	Additions	Reductions	Adjustments	Balance 6-30-2008	Amounts due within one Year
A. General obligation bonds payable \$	7,015,000		471,000		6,544,000	501,000
B. Three mill notes payable	190,000		190,000		0	
C. Compensated absences payable	206,978	44,961			251,939	12,597
<b>Total</b>	<b>\$ 7,411,978</b>	<b>44,961</b>	<b>661,000</b>		<b>6,795,939</b>	<b>513,597</b>

A. General obligation bonds payable.

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:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, Series 2000	5.0%-6.5%	04-01-00	04-01-09	\$ 7,500,000	350,000
General obligation ref. Bonds, Series 2007	3.84%	01-10-06	07-15-16	1,116,000	949,000
General obligation ref. Bonds, Series 2007	3.89%	10-31-06	04-01-19	5,345,000	5,245,000
<b>Total</b>				<b>\$ 13,961,000</b>	<b>6,544,000</b>

Details of the district's June 30, 2008 general obligation bonded indebtedness are as follows:

1. Bond issue of 2000:

Year Ending June 30	Principal	Interest	Total
2009	350,000	289,208	639,208
<b>Total</b>	<b>\$ 350,000</b>	<b>289,208</b>	<b>639,208</b>

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

2. Bond issue of 2007-1:

Year Ending			
June 30	Principal	Interest	Total
2009	91,000	34,694	125,694
2010	96,000	31,104	127,104
2011	100,000	27,341	127,341
2012	100,000	23,501	123,501
2013	104,000	19,584	123,584
2014 - 2018	458,000	35,635	493,635
<b>Total</b>	<b>\$ 949,000</b>	<b>171,859</b>	<b>1,120,859</b>

2. Bond issue of 2007-2:

Year Ending			
June 30	Principal	Interest	Total
2009	60,000	209,800	269,800
2010	430,000	207,400	637,400
2011	455,000	190,200	645,200
2012	475,000	172,000	647,000
2013	495,000	153,000	648,000
2014 - 2018	2,795,000	450,400	3,245,400
2019	535,000	21,400	556,400
<b>Total</b>	<b>\$ 5,245,000</b>	<b>1,404,200</b>	<b>6,649,200</b>

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

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2009	501,000	533,702	1,034,702
2010	526,000	238,504	764,504
2011	555,000	217,541	772,541
2012	575,000	195,501	770,501
2013	599,000	172,584	771,584
2014 – 2018	3,253,000	486,035	3,739,035
2019	535,000	21,400	556,400
<b>Total</b>	<b>\$ 6,544,000</b>	<b>1,865,267</b>	<b>8,409,267</b>

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2008, the amount of outstanding bonded indebtedness was equal to 6.44% of property assessments as of October 1, 2007. This debt will be retired from the Bond Debt Service Fund.

B. Three mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill notes	4.69%	06-01-98	06-01-08	\$ 1,550,000	0
<b>Total</b>				<b>\$ 1,550,000</b>	<b>0</b>

This debt was retired from the Capital Improvement Loan Fund – Debt Service Fund.

C. Compensated absences payable.

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

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

(7) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2008 was 11.85% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2008, 2007, and 2006 were \$1,649,444, \$1,594,594, and \$1,373,458, respectively, which equaled the required contributions for each year.

(8) Sixteenth Section Lands.

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

Year Ending June 30	Amount
2009	\$ 16,495
2010	7,088
2011	857
2012	687
2013	687
2014 - 2018	1,073
2019 - 2023	483
2024 - 2028	483
2029 - 2033	483
Thereafter	<u>2,233</u>
 Total	 <u>\$ 30,569</u>

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

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

(10) **Prior Period Adjustments/Exhibits.**  
A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>
1. An adjustment to correct a prior year error in recording an asset or liability	53,435
<b>Total</b>	<b>\$ 53,435</b>

Exhibit D - Statement of Revenue, Expenditures and changes in Fund Balance

<u>Explanation(s)</u>	<u>Amount</u>
1. An adjustment to correct a prior year error in recording an asset or liability	
a) General Fund	47,766
b) Title I A Fund	136
c) Other governmental Fund	5,533
<b>Total</b>	<b>\$ 53,435</b>

(11) **Risk Management.**  
The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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 95 school districts and one community college and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo Bank in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, 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.

Brookhaven School District

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 7,519,511	\$ 7,000,486	\$ 7,000,486	\$ (519,025)	\$ -
State sources	13,588,991	13,588,342	13,588,342	(649)	-
Federal sources	406,292	95,118	95,118	(311,174)	-
Sixteenth section sources	0	0	0	0	-
<b>Total Revenues</b>	<b>21,514,794</b>	<b>20,683,946</b>	<b>20,683,946</b>	<b>(830,848)</b>	<b>-</b>
<b>Expenditures:</b>					
Instruction	11,824,786	12,644,691	12,644,691	(819,905)	-
Support services	8,275,381	7,689,992	7,726,442	585,389	36,450
Noninstructional services	267,104	311,120	307,581	(44,016)	3,539
Facilities acquisition and construction	400,000	36,450	0	363,550	(36,450)
<b>Total Expenditures</b>	<b>20,767,271</b>	<b>20,682,253</b>	<b>20,678,714</b>	<b>85,018</b>	<b>3,539</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>747,523</b>	<b>1,693</b>	<b>5,232</b>	<b>(745,830)</b>	<b>3,539</b>
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	1,564,183	1,828,881	0	264,698	(1,828,881)
Operating transfers out	(2,234,111)	(2,248,556)	(439,917)	(14,445)	1,808,639
<b>Total Other Financing Sources (Uses)</b>	<b>(669,928)</b>	<b>(419,675)</b>	<b>(439,917)</b>	<b>250,253</b>	<b>(20,242)</b>
<b>Net Change in Fund Balances</b>	<b>77,595</b>	<b>(417,982)</b>	<b>(434,685)</b>	<b>(495,577)</b>	<b>(16,703)</b>
<b>Fund Balances:</b>					
July 1, 2007, as previously reported			3,696,007		
Prior period adjustments & reclassifications			47,766		
July 1, 2007, as restated			3,743,773		
Increase (decrease) in reserve for inventory			(3,539)		
June 30, 2008			<u>\$ 3,305,549</u>		

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

Brookhaven School District  
 Budgetary Comparison Schedule  
 Title I-A Fund  
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	882,033	1,061,180	1,061,180	179,147	-
Total Revenues	882,033	1,061,180	1,061,180	179,147	-
<b>Expenditures:</b>					
Instruction	500,366	688,833	688,833	(188,467)	-
Support services	301,675	344,994	344,994	(43,319)	-
Noninstructional services	28,501	27,353	27,353	1,148	-
Total Expenditures	830,542	1,061,180	1,061,180	(230,638)	-
 Excess (Deficiency) of Revenues Over Expenditures	 51,491	 -	 -	 (51,491)	 -
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
 Net Change in Fund Balances	 51,491	 -	 -	 (51,491)	 -
<b>Fund Balances:</b>					
July 1, 2007, as previously reported			5,673		
Prior period adj & reclassifications			136		
July 1, 2007, as restated			5,809		
 June 30, 2008			 \$ 5,809		

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

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

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget amendments and revisions.

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

Brookhaven School District

SUPPLEMENTAL INFORMATION

Brookhaven School District  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2008

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	220,071
National school lunch program	10.555	890,951
Summer food service program for children	10.559	22,663
Total child nutrition cluster		<u>1,133,685</u>
Total U.S. Department of Agriculture		<u>1,133,685</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	1,061,180
Career and technical education - basic grants to states	84.048	42,574
Safe and drug-free schools and communities - state grants	84.186	15,884
State grants for innovative programs	84.298	1,687
Education technology state grants	84.318	3,547
Rural education	84.358	119,955
Improving teacher quality - state grants	84.367	282,504
Total		<u>1,527,331</u>
Special education cluster:		
Special education - grants to states	84.027	640,431
Special education - preschool grants	84.173	22,990
Total		<u>663,421</u>
Total passed-through Mississippi Department of Education		<u>2,190,752</u>
Total U.S. Department of Education		<u>2,190,752</u>
<u>Other Federal Assistance</u>		
Direct program:		
Reserve Officers' Training Corps	12.XXX	54,374
Total Other Federal Assistance		<u>54,374</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	9,332
Total Federal Communications Commission		<u>9,332</u>
Total for All Federal Awards		<u>\$ 3,388,143</u>

NOTES TO SCHEDULE

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

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

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 20,146,980	14,963,000	908,211	1,460,934	2,814,835
Other	6,600,443	1,770,098	221,088	85,610	4,523,647
<b>Total</b>	<b>\$ 26,747,423</b>	<b>16,733,098</b>	<b>1,129,299</b>	<b>1,546,544</b>	<b>7,338,482</b>
Total number of students*	2,772				
Cost per student	\$ 9,649	6,036	407	558	2,647

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

Brookhaven School District

OTHER SUPPLEMENTAL INFORMATION

## BROOKHAVEN SCHOOL DISTRICT

## Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

## General Fund

## Last Four Years

	2008	2007*	2006*	2005*
<b>Revenues:</b>				
Local sources	\$ 7,000,486	7,011,614	6,580,010	6,591,378
State sources	13,588,342	13,017,590	11,745,436	10,842,656
Federal sources	95,118	105,164	149,065	94,805
Sixteenth section sources	0	0	0	0
<b>Total Revenues</b>	<b>20,683,946</b>	<b>20,134,368</b>	<b>18,474,511</b>	<b>17,528,839</b>
<b>Expenditures:</b>				
Instruction	12,644,691	11,347,881	9,680,507	9,966,653
Support services	7,726,442	7,484,775	6,866,878	6,245,373
Noninstructional services	307,581	285,006	261,254	263,140
Sixteenth section	0	0	0	0
Facilities acquisition and construction	0	175,437	176,901	115,132
Debt service:				
Principal				
Interest				
Advance refunding escrow				
Other				
<b>Total Expenditures</b>	<b>20,678,714</b>	<b>19,293,099</b>	<b>16,985,540</b>	<b>16,590,298</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>5,232</b>	<b>841,269</b>	<b>1,488,971</b>	<b>938,541</b>
<b>Other Financing Sources (Uses):</b>				
Insurance loss recoveries	0	65,351	0	0
Sale of transportation equipment	0	1,555	100	0
Operating transfers in	0	0	1,163,320	1,835,130
Operating transfers out	(439,917)	(575,448)	(1,470,339)	(1,585,815)
<b>Total Other Financing Sources (Uses)</b>	<b>(439,917)</b>	<b>(508,542)</b>	<b>(306,719)</b>	<b>249,315</b>
<b>Net Change in Fund Balances</b>	<b>(434,685)</b>	<b>332,727</b>	<b>1,182,252</b>	<b>1,187,856</b>
<b>Fund Balances:</b>				
July 1,	3,696,007	3,354,248	2,203,494	1,015,638
Prior period adjustments	47,766	6,472	(23,818)	
July 1, as restated	3,743,773	3,360,720	2,179,676	1,015,638
<b>Increase (Decrease) in reserve for inventory</b>	<b>(3,539)</b>	<b>2,560</b>	<b>(7,680)</b>	
June 30,	\$ 3,305,549	3,696,007	3,354,248	2,203,494

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## BROOKHAVEN SCHOOL DISTRICT

## Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

## All Governmental Funds

## Last Four Years

	2008	2007*	2006*	2005*
<b>Revenues:</b>				
Local sources	\$ 8,452,680	8,554,317	8,276,028	8,406,274
State sources	14,142,197	13,571,388	12,296,440	11,366,708
Federal sources	3,539,959	2,953,856	3,982,615	3,645,688
Sixteenth section sources	1,532,509	583,856	501,639	499,283
<b>Total Revenues</b>	<b>27,667,345</b>	<b>25,663,417</b>	<b>25,056,722</b>	<b>23,917,953</b>
<b>Expenditures:</b>				
Instruction	15,022,988	13,497,127	12,768,919	12,806,155
Support services	8,877,175	8,597,932	7,884,868	7,195,286
Noninstructional services	1,657,348	1,572,830	1,553,724	1,560,400
Sixteenth section	226,314	95,255	45,351	48,755
Facilities acquisition and construction	0	175,437	176,901	193,132
<b>Debt service:</b>				
Principal	661,000	621,000	1,690,000	629,309
Interest	297,129	452,715	431,190	465,670
Bond issuance costs		120,663		
Other	5,469	504	3,278	3,335
<b>Total Expenditures</b>	<b>26,747,423</b>	<b>25,133,463</b>	<b>24,554,231</b>	<b>22,902,042</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>919,922</b>	<b>529,954</b>	<b>502,491</b>	<b>1,015,911</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds of refunding bonds		5,345,000	1,116,000	
Insurance loss recoveries		65,351		
Sale of transportation equipment		1,555	100	
Operating transfers in	458,473	599,811	1,545,358	1,884,653
Operating transfers out	(458,473)	(599,811)	(1,545,358)	(1,884,653)
Payment to refunded bond escrow agent		(5,115,000)		
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>296,906</b>	<b>1,116,100</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>919,922</b>	<b>826,860</b>	<b>1,618,591</b>	<b>1,015,911</b>
<b>Fund Balances:</b>				
July 1,	6,370,280	5,513,126	3,935,228	2,912,177
Prior period adjustments	53,435	6,472	(28,544)	
July 1, as restated	6,423,715	5,519,598	3,906,684	2,912,177
<b>Increase (Decrease) in reserve for inventory</b>	<b>(12,534)</b>	<b>23,822</b>	<b>(12,149)</b>	<b>7,140</b>
June 30,	\$ 7,331,103	6,370,280	5,513,126	3,935,228

\*SOURCE - PRIOR YEAR AUDIT REPORTS

Brookhaven School District

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

# **PATRICK E. LOWERY AND ASSOCIATES**

## **CERTIFIED PUBLIC ACCOUNTANTS**

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

Superintendent and School Board  
Brookhaven School District

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

#### Internal Control Over Financial Reporting

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

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.

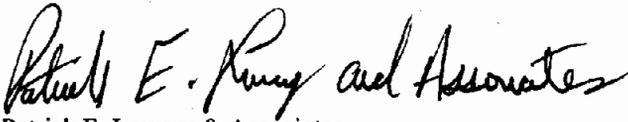
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the school district's internal control.

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

Compliance and Other Matters

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



Patrick E. Lowery & Associates  
Certified Public Accountants  
January 8, 2009

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## 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  
Brookhaven School District

### Compliance

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

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

In our opinion, Brookhaven School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

### Internal Control Over Compliance

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

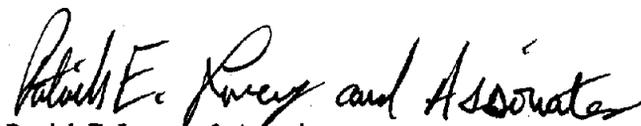
internal control over compliance.

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

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

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

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



Patrick E. Lowery & Associates  
Certified Public Accountants  
January 8, 2009

Brookhaven School District

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

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

Superintendent and School Board  
Brookhaven School District

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

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$53,867 of classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district." The results of our procedures performed to test compliance with the requirements of Section 37-9-18 (3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

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

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

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

*Patrick E. Lowery and Associates*

Patrick E. Lowery & Associates  
Certified Public Accountants  
January 8, 2009

Brookhaven School District

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Brookhaven School District

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

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- |     |   |             |
|-----|---|-------------|
| 4.  | Type of auditor's report issued on compliance for major federal programs:   | Unqualified |
| 5.  | Internal control over major programs:   |             |
| a.  | Material weakness(es) identified?   | No          |
| b.  | Significant deficiency(ies) identified that are not considered to be material weaknesses?   | No          |
| 6.  | Any audit finding(s) reported as required by Section ____ .510(a) of Circular A-133?  | No          |
| 7.  | Federal programs identified as major programs:  |             |
| a.  | Child Nutrition Cluster<br>CFDA # 10.553, 10.555, 10.559  |             |
| b.  | Special Education Cluster<br>CFDA # 84.027, 84.173  |             |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:  | \$300,000   |
| 9.  | Auditee qualified as a low-risk auditee?  | Yes         |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133? | No          |

Brookhaven School District

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

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs

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