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FORREST COUNTY AGRICULTURAL HIGH SCHOOL

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

Superintendent and School Board
Forrest County Agricultural High School
Brooklyn, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Forrest County Agricultural High School, as of and for the year ended June 30, 2008, which collectively comprise the Forrest County Agricultural High School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Forrest County Agricultural High School's management. Our responsibility is to express an opinion 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.

Management of Forrest County Agricultural High School has not maintained adequate records regarding the existence, completeness and valuation of capital assets in the governmental activities. Accounting principles generally accepted in the United States of America require that capital assets be capitalized at historical cost and depreciated over their useful lives. The amount by which this departure would affect the assets and expenses of the governmental activities is not reasonably determinable.

Superintendent and School Board
Forrest County Agricultural High School
Brooklyn, Mississippi

In our opinion, except for the effects of not recording current year additions and deletions to capital assets as well as current year depreciation, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Forrest County Agricultural High School, 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 addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the general fund, CSIPP grant fund, capital improvements fund, and the aggregate remaining fund information of the Forrest County Agricultural High School, 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 November 11, 2008, on our consideration of the Forrest County Agricultural High School'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 conjunction with this report in considering the results of our audit.

Forrest County Agricultural High School has not presented Budgetary Comparison Schedules or a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Forrest County Agricultural High School's basic financial statements. 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.

Nicholson & Company, PLLC

Hattiesburg, Mississippi
November 11, 2008

BASIC FINANCIAL STATEMENTS

EXHIBIT A

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

**STATEMENT OF NET ASSETS
JUNE 30, 2008**

	<u>Primary Government Governmental Activities</u>
ASSETS	
Cash and cash equivalents (Note 2)	\$ 1,424,254
Due from other governments	100,581
Due from fiduciary funds	500
Inventories and prepaid items	33,369
Capital assets, net (Note 4)	<u>3,654,330</u>
Total assets	<u>\$ 5,213,034</u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 275,172
Unearned revenue	44,708
Long-term liabilities (Note 5):	
Due within one year:	
Capital related liabilities	45,679
Due beyond one year:	
Capital related liabilities	557,016
Non-capital related liabilities	<u>24,764</u>
Total liabilities	<u>\$ 947,339</u>
NET ASSETS	
Investment in capital assets, net of related debt	\$ 3,051,635
Restricted net assets:	
Debt service	6,203
Capital improvements	379,728
Unrestricted	<u>828,129</u>
Total net assets	<u>\$ 4,265,695</u>

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

EXHIBIT C

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	Major Funds				Total Governmental Funds
	General Fund	CS/PP Grant Fund	Capital Improvement Fund	Other Governmental Funds	
ASSETS					
Cash and cash equivalents (Note 2)	\$ 647,692	\$ 235,648	\$ 379,728	\$ 161,186	\$ 1,424,254
Due from other governments	66,604	-	-	33,977	100,581
Due from other funds (Note 3)	6,178	-	-	-	6,178
Inventories	27,760	-	-	5,609	33,369
Total assets	\$ 748,234	\$ 235,648	\$ 379,728	\$ 200,772	\$ 1,564,382
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued liabilities	\$ 221,379	-	-	\$ 53,793	\$ 275,172
Due to other funds (Note 3)	-	-	-	5,678	5,678
Unearned revenue	-	-	-	44,708	44,708
Total liabilities	221,379	-	-	104,179	325,558
FUND BALANCES					
Reserved for:					
Inventory	27,760	-	-	5,609	33,369
Capital projects fund	-	-	379,728	-	379,728
Debt service funds	-	-	-	6,203	6,203
Unreserved:					
Undesignated, report in:					
General fund	499,095	-	-	-	499,095
Special revenue fund	-	235,648	-	84,781	320,429
Total fund balances	526,855	235,648	379,728	96,593	1,238,824
Total liabilities and fund balances	\$ 748,234	\$ 235,648	\$ 379,728	\$ 200,772	\$ 1,564,382

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

EXHIBIT C-1

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008**

	<u>Amount</u>
Total fund balance - governmental funds	\$ 1,238,824
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 \$1,620,591.	3,654,330
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(627,459)</u>
<i>Total net assets of governmental activities</i>	<u><u>\$ 4,265,695</u></u>

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

EXHIBIT D

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	Major Funds				Total Governmental Funds
	General Fund	CS/PP Grant Fund	Capital Improvement Fund	Other Governmental Funds	
REVENUES					
Local sources	\$ 1,506,186	\$ 328,860	\$ 13,818	\$ 84,567	\$ 1,931,431
State sources	2,628,027	-	-	308,291	2,937,318
Federal sources	7,143	-	-	463,050	470,193
Total revenues	<u>4,142,356</u>	<u>326,860</u>	<u>13,818</u>	<u>855,908</u>	<u>5,338,942</u>
EXPENDITURES					
Instruction	2,394,045	97,518	-	995,814	3,487,377
Support services	1,430,388	-	111,275	78,663	1,820,328
Non-instruction services	40,508	-	-	179,727	220,235
Debit service:					
Principal	568	-	-	40,000	40,568
Interest	1,442	-	-	30,150	31,592
Total expenditures	<u>3,866,951</u>	<u>97,518</u>	<u>111,275</u>	<u>1,324,354</u>	<u>5,400,098</u>
Excess of revenues over (under) expenditures	275,405	229,342	(97,457)	(468,446)	(61,156)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	360,467	-	19,685	395,220	775,372
Operating transfers out	(666,441)	(84,411)	-	(24,520)	(775,372)
Other financing sources (uses)	9,538	-	-	(17,072)	(7,534)
Total other financing sources (uses)	<u>(296,436)</u>	<u>(84,411)</u>	<u>19,685</u>	<u>353,628</u>	<u>(7,534)</u>
Net change in fund balances	<u>(21,031)</u>	<u>144,931</u>	<u>(77,772)</u>	<u>(114,818)</u>	<u>(68,690)</u>
FUND BALANCES					
July 1, 2007	538,350	90,717	457,500	212,523	1,299,090
Increase in reserve for inventory	9,536	-	-	(1,112)	8,424
JUNE 30, 2008	<u>\$ 526,856</u>	<u>\$ 235,648</u>	<u>\$ 379,728</u>	<u>\$ 96,593</u>	<u>\$ 1,238,824</u>

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

EXHIBIT D-1

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008**

	<u>Amount</u>
Net change in fund balances - governmental funds	\$ (68,690)
Amounts reported for governmental activities in the statement of activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those costs over the life of the assets. The depreciation expense amounted to \$221,990.	(221,990)
2. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of activities.	40,568
3. The increase in accrued compensated absences is reported as an increase in expenditures in the statement of activities but is not included as an offset to expenditures of the governmental funds.	2,224
4. Increase in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are decreased in the statement of activities.	<u>8,424</u>
<i>Change in net assets - governmental activities</i>	<u>\$ (239,464)</u>

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

EXHIBIT E

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

**STATEMENT OF NET ASSETS - FIDUCIARY FUNDS
JUNE 30, 2008**

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents (Note 2)	\$ 54,884	\$ 26,842
Total assets	<u>\$ 54,884</u>	<u>\$ 26,842</u>
LIABILITIES		
Due to other funds	\$ 500	\$ -
Due to student clubs	-	26,842
Total liabilities	<u>\$ 500</u>	<u>\$ 26,842</u>
NET ASSETS		
Reserved for endowments	\$ 54,384	
TOTAL NET ASSETS	<u>\$ 54,384</u>	

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

EXHIBIT F

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED JUNE 30, 2008**

	<u>Private-Purpose Trust Funds</u>
ADDITIONS	
Interest on investments	\$ 2,017
Contributions and donations from private sources	<u>1,200</u>
Total Additions	<u>3,217</u>
DEDUCTIONS	
Scholarships awarded	<u>1,050</u>
Total Deductions	<u>1,050</u>
CHANGE IN NET ASSETS	<u>2,167</u>
NET ASSETS	
July 1, 2007	<u>52,217</u>
June 30, 2008	<u>\$ 54,384</u>

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

NOTES TO FINANCIAL STATEMENTS

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. *Financial Reporting Entity*

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the School District's governing board. As defined by accounting principles generally accepted in the United States of America, the School District is considered a "primary government". The School District is governed by a six member board to which one member is an at large member (elected superintendent of Forrest County School District), two members are appointed by the Forrest County School District Board and three are appointed by the Forrest County Board of Supervisors.

B. *Basis of Presentation*

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

Government-wide Financial Statements

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

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

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS

PAGE TWO

YEAR ENDED JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

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

C. *Measurement Focus and Basis of Accounting*

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting 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.

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS

PAGE THREE

YEAR ENDED JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

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

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

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

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

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

D. Account Classifications

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

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS

PAGE FOUR

YEAR ENDED JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

F. Cash and Cash Equivalents

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

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

G. Investments

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

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

Investments are reported at fair value.

H. Inventories and Prepaid Items

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

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

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

I. Capital Assets

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

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS

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YEAR ENDED JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

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

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

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

J. Long-Term Liabilities

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

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS

PAGE SIX

YEAR ENDED JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

K. *Interfund Transactions and Balances*

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

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources. Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

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

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

L. *Equity Classifications*

Government-wide Financial Statements:

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

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS

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YEAR ENDED JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements:

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

- a. 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.
- b. 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.
- c. Reserved for debt service funds – An account that represents that portion of fund balance in the debt service funds which was legally restricted and not available for spending for any other purpose than that for which it is restricted.
- d. Reserved for unemployment benefits – An account that represents a portion of the fund balance that is legally restricted for the payment of unemployment benefits.
- e. Unreserved – designated for, reported in capital projects funds – An account that represents that portion of the unreserved fund balance that the school board has specifically obligated for future repairs, renovations, and construction projects of the District buildings and facilities.
- f. Unreserved, undesignated – an account that represents the portion of fund balance that is expendable available financial resources.

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS

PAGE EIGHT

YEAR ENDED JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

M. *Property Taxes*

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

N. *Mississippi Adequate Education Program Revenues*

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

O. *Compensated Absences*

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

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

P. *Other Significant Accounting Policies.*

The Debt Service Funds for long-term debt issued prior to April 15, 1986, under the provisions of Section 37-59-101, Miss. Code Ann. (1972), et seq., are maintained by the governing authority of the county and are not included in the government-wide financial statements of the School District. The borrowing of money by the issuance of the debt referred to above was a function of the School District. The borrowing of money by the issuance of the debt referred to above was a function of the governing authority of the county prior to April 15, 1986, or March 3, 1987, as the case may be.

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS

PAGE NINE

YEAR ENDED JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

In our state, school boards and superintendents had no responsibility in connection with the debt issued before the dates referred to above. The payment of this debt is an obligation of the governing authority of the county who is acting for the School District.

In connection with any debt issued subsequent to the dates referred to above, the school board is responsible for the issuance and maintenance of School District related debt.

NOTE 2 - CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents

The collateral for public entities' 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 \$1,424,254 and \$81,726, respectively. The carrying amount of deposits reported in the government-wide financial statements was \$1,424,254. The bank balance was \$1,723,106.

Custodial Credit Risk - Deposits

Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2008, \$-0- of the district's bank balance of \$1,723,106 was exposed to custodial credit risk.

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS

PAGE TEN

YEAR ENDED JUNE 30, 2008

NOTE 3 - INTERFUND TRANSACTIONS AND BALANCES

The following is a summary of interfund transactions and balances:

A. DUE FROM/TO OTHER FUNDS	Due From	Due To
Governmental funds:		
General fund	\$ 6,178	\$ -
Non-major funds	-	5,678
Fiduciary Funds		500
Total funds	\$ 6,178	\$ 6,178
B. TRANSFERS IN/OUT	Transfers In	Transfers Out
Governmental funds:		
General fund	\$ 360,467	\$ 666,441
CSIPP grant fund	-	84,411
Capital projects fund	19,685	-
Non-major funds	395,220	24,520
Total funds	\$ 775,372	\$ 775,372

The due to/from represents a scholarship paid from the general fund which should be reimbursed by the fiduciary fund, and expenses paid from the general fund which should be reimbursed by the special revenue fund.

Transfers are made monthly from the District Maintenance Fund to other funds for operations as federal and state funding for those funds is not sufficient to sustain those funds. Interest earned on other funds within the District Maintenance bank account are transferred back to the District Maintenance Fund for operations. Funds are transferred from Activity Funds at the schools for reimbursements that are paid from the District Maintenance Fund.

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS
PAGE ELEVEN
YEAR ENDED JUNE 30, 2008

NOTE 4 - CAPITAL ASSETS

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

	Balance 7/01/2007	Additions	Retirements	Completed Construction	Adjustments	Balance 6/30/2008
Non-depreciable capital assets						
Land	\$ 640	\$ -	\$ -	\$ -	\$ -	\$ 640
Construction in progress	-	-	-	-	-	-
Total non-depreciable capital assets	640	-	-	-	-	640
Depreciable capital assets						
Buildings	3,690,042	-	-	-	-	3,690,042
Building improvements	379,025	-	-	-	-	379,025
Improvements other than buildings	167,875	-	-	-	-	167,875
Mobile equipment	177,566	-	-	-	-	177,566
Furniture and equipment	859,773	-	-	-	-	859,773
Total depreciable capital assets	5,274,281	-	-	-	-	5,274,281

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS
PAGE TWELVE
YEAR ENDED JUNE 30, 2008

NOTE 4 - CAPITAL ASSETS (Cont.)

	Balance 7/01/2007	Additions	Retirements	Completed Construction	Adjustments	Balance 6/30/2008
Less accumulated depreciation for:						
Buildings	\$ 958,282	\$ 71,132	-	\$ -	\$ -	\$ 1,029,414
Building improvements	25,770	15,161	-	-	-	40,931
Improvements other than buildings	125,777	8,084	-	-	-	133,861
Mobile equipment	92,984	15,533	-	-	-	108,517
Furniture and equipment	195,788	112,080	-	-	-	307,868
Total accumulated depreciation	1,398,601	221,990	-	-	-	1,620,591
Total depreciable capital assets, net	<u>3,875,680</u>	<u>(221,990)</u>	-	-	-	<u>3,653,690</u>
Governmental activities capital assets, net	<u>\$ 3,876,320</u>	<u>\$ (221,990)</u>	-	\$ -	\$ -	<u>\$ 3,654,330</u>

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

**NOTES TO FINANCIAL STATEMENTS
PAGE THIRTEEN
YEAR ENDED JUNE 30, 2008**

NOTE 4 - CAPITAL ASSETS (Cont.)

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 201,453
Support services	13,429
Non-instructional	<u>7,108</u>
Total depreciation expense	<u><u>\$ 221,990</u></u>

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

There were no outstanding construction commitments as of June 30, 2008.

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS
PAGE FOURTEEN
YEAR ENDED JUNE 30, 2008

NOTE 5 - LONG-TERM LIABILITIES

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

	Balance 7/01/2007	Additions	Reductions	Balance 6/30/2008	Amounts Due Within 1 Year
A. Limited obligation bonds payable	\$ 635,000	\$ -	\$ 40,000	\$ 595,000	\$ 45,000
B. Obligations under capital lease	8,263	-	568	7,695	679
C. Compensated absences payable	26,988	-	2,224	24,764	-
Total	\$ 670,251	\$ -	\$ 42,792	\$ 627,459	\$ 45,679

A. LIMITED OBLIGATION BONDS PAYABLE

Limited obligation bonds are direct obligations and pledge the full faith and credit of the School District. Limited obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement bond - Cede & Co.	Variable	2/3/98	2/1/18	\$ 845,000	\$ 570,000
State aid capital improvement bond - Marguerite B. Griffith	6%	3/1/98	8/1/15	10,000	10,000
State aid capital improvement bond - Willard B. Morrison, Jr.	Variable	5/11/98	8/1/17	15,000	15,000
Total				\$ 870,000	\$ 595,000

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS

PAGE FIFTEEN

YEAR ENDED JUNE 30, 2008

NOTE 5 - LONG-TERM LIABILITIES (Cont.)

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 45,000	\$ 28,215	\$ 73,215
2010	45,000	30,093	75,093
2011	45,000	23,985	68,985
2012	45,000	21,803	66,803
2013	50,000	19,475	69,475
2014 - 2018	<u>365,000</u>	<u>54,500</u>	<u>419,500</u>
Total	<u>\$ 595,000</u>	<u>\$ 178,071</u>	<u>\$ 773,071</u>

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

B. OBLIGATIONS UNDER CAPITAL LEASES

The School District has entered into a lease agreement that qualifies as a capital lease for accounting purposes. Leased property under this lease is composed of a copier. This debt will be retired from the general fund.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest and Maintenance Charges</u>	<u>Total</u>
2009	\$ 679	\$ 1,331	\$ 2,010
2010	812	1,198	2,010
2011	971	1,039	2,010
2012	<u>5,233</u>	<u>379</u>	<u>5,612</u>
Total	<u>\$ 7,695</u>	<u>\$ 3,947</u>	<u>\$ 11,642</u>

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

NOTES TO FINANCIAL STATEMENTS

PAGE SIXTEEN

YEAR ENDED JUNE 30, 2008

NOTE 5 - LONG-TERM LIABILITIES (Cont.)

C. COMPENSATED ABSENCES PAYABLE

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

NOTE 6 - DEFINED BENEFIT PENSION PLAN

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

Funding Policy - PERS members are required to contribute 7.25% of their annual covered salary, and the School District is required to contribute at an actuarially determined rate. The current rate is 11.85% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The School District's contributions to PERS for the fiscal years ending June 30, 2008, 2007, and 2006 were \$343,916, \$295,493, and \$259,696, respectively, which equaled the required contributions for each year.

NOTE 7 - OTHER COMMITMENTS

Operating Leases - The School District has an operating lease for a drivers education car. Lease expenditures for the year ended June 30, 2008 amounted to \$4,056. Future minimum lease payments for the remaining term are \$1,352, to be paid off in 2008. As described in note 9, the vehicle was purchased and the lease paid off subsequent to year end.

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

**NOTES TO FINANCIAL STATEMENTS
PAGE SEVENTEEN
YEAR ENDED JUNE 30, 2008**

NOTE 8 - RISK MANAGEMENT

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

NOTE 9 - SUBSEQUENT EVENT

Subsequent to year-end in September 2008 the District decided to do an "Early Buyout" and purchase the 2005 Honda Accord they were leasing as a drivers education car. The car was purchased for \$11,642 thus ending the lease.

SUPPLEMENTAL INFORMATION

SCHEDULE 1

**FORREST COUNTY AGRICULTURAL HIGH SCHOOL
SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE AND OTHER EXPENDITURES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administrative</u>	<u>School Administrative</u>	<u>Other</u>
Salaries and fringe benefits	\$ 3,833,589	\$ 3,061,667	\$ 261,025	\$ 187,810	\$ 323,087
Other	<u>1,566,509</u>	<u>676,269</u>	<u>81,257</u>	<u>19,004</u>	<u>789,979</u>
Total	<u>\$ 5,400,098</u>	<u>\$ 3,737,936</u>	<u>\$ 342,282</u>	<u>\$ 206,814</u>	<u>\$ 1,113,066</u>
Total number of students	532				
Cost per student	<u>\$ 10,150</u>	<u>\$ 7,026</u>	<u>\$ 643</u>	<u>\$ 389</u>	<u>\$ 2,092</u>

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

Instruction – includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type – all the 1000 functional codes.

General Administration – includes expenditures for the following functions: Support Services – General Administrative Services – Business (2500s)

School Administration – includes expenditures for the following function: Support Services – General Administration (2300s).

Other – includes all expenditure functions not included in Instruction or Administrative.

SCHEDULE 2

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND - UNAUDITED
LAST FOUR YEARS

	<u>2008</u>	<u>2007*</u>	<u>2006*</u>	<u>2005*</u>
REVENUES:				
Local sources	\$ 1,506,186	\$ 1,409,772	\$ 1,466,788	\$ 1,316,365
State sources	2,629,027	2,568,339	2,392,289	2,071,173
Federal sources	7,143	11,800	3,672	-
Total Revenues	<u>4,142,356</u>	<u>3,989,911</u>	<u>3,862,749</u>	<u>3,387,538</u>
EXPENDITURES:				
Instruction	2,394,045	2,327,111	1,949,387	1,743,803
Support services	1,430,388	1,414,748	1,667,046	1,199,327
Noninstructional services	40,508	63,154	31,617	38,123
Debt service:				
Principal	568	-	-	-
Interest	1,442	-	-	-
Total Expenditures	<u>3,866,951</u>	<u>3,805,013</u>	<u>3,648,050</u>	<u>2,981,253</u>
Excess (Deficiency) of Revenues over Expenditures	<u>275,405</u>	<u>184,898</u>	<u>214,699</u>	<u>406,285</u>
Other Financing Source (Uses):				
Insurance loss recoveries	-	-	679,664	-
Operating transfers in	360,467	562,428	332,315	-
Other financing sources (uses)	9,538	-	-	-
Operating transfers out	(666,441)	(781,118)	(1,208,997)	(382,477)
Total Other Financing Sources (Uses)	<u>(296,436)</u>	<u>(218,690)</u>	<u>(197,018)</u>	<u>(382,477)</u>
Net Change in Fund Balances	<u>(21,031)</u>	<u>(33,792)</u>	<u>17,681</u>	<u>23,808</u>
Fund balance July 1	<u>538,350</u>	<u>576,592</u>	<u>555,297</u>	<u>538,039</u>
Increase (Decrease) in reserve for inventory	<u>9,536</u>	<u>(4,450)</u>	<u>3,614</u>	<u>(6,550)</u>
Fund balance June 30	<u>\$ 526,855</u>	<u>\$ 538,350</u>	<u>\$ 576,592</u>	<u>\$ 555,297</u>

*Source - Prior year audit reports

SCHEDULE 3

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS - UNAUDITED
LAST FOUR YEARS

	<u>2008</u>	<u>2007*</u>	<u>2006*</u>	<u>2005*</u>
REVENUES:				
Local sources	\$ 1,931,431	\$ 4,239,191	\$ 1,531,357	\$ 1,380,718
State sources	2,937,318	2,756,194	2,590,936	2,300,587
Federal sources	470,193	846,888	861,539	317,970
Total Revenues	<u>5,338,942</u>	<u>7,842,273</u>	<u>4,983,832</u>	<u>3,999,275</u>
EXPENDITURES:				
Instruction	3,487,377	6,194,251	3,104,940	2,446,339
Support services	1,620,326	1,632,032	1,804,755	1,329,266
Noninstructional services	220,235	236,322	179,228	178,091
Facilities acquisition and construction	-	-	-	35,402
Debt service:				
Principal	40,568	40,000	35,000	40,000
Interest	31,592	32,810	33,773	35,875
Total Expenditures	<u>5,400,098</u>	<u>8,135,415</u>	<u>5,157,696</u>	<u>4,064,973</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(61,156)</u>	<u>(293,142)</u>	<u>(173,864)</u>	<u>(65,698)</u>
Other Financing Source (Uses):				
Insurance loss recoveries	-	-	679,664	-
Operating transfers in	775,372	1,031,118	1,208,997	382,477
Other financing sources (uses)	(7,534)	(17,063)	(18,263)	(17,202)
Operating transfers out	<u>(775,372)</u>	<u>(1,031,118)</u>	<u>(1,208,997)</u>	<u>(382,477)</u>
Total Other Financing Sources (Uses)	<u>(7,534)</u>	<u>(17,063)</u>	<u>661,401</u>	<u>(17,202)</u>
Net Change in Fund Balances	<u>(68,690)</u>	<u>(310,205)</u>	<u>487,537</u>	<u>(82,900)</u>
Fund balances July 1	1,299,090	1,636,663	1,147,097	1,236,056
Prior period adjustments	-	(23,778)	-	-
Fund balances July 1	<u>1,299,090</u>	<u>1,612,885</u>	<u>1,147,097</u>	<u>1,236,056</u>
Increase (Decrease) in reserve for inventory	<u>8,424</u>	<u>(3,590)</u>	<u>2,029</u>	<u>(6,059)</u>
Fund balances June 30	<u>\$ 1,238,824</u>	<u>\$ 1,299,090</u>	<u>\$ 1,636,663</u>	<u>\$ 1,147,097</u>

*Source - Prior year audit reports

***REPORT ON INTERNAL CONTROL AND ON
COMPLIANCE AND OTHER MATTERS***

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

Superintendent and School Board
Forrest County Agricultural High School
Brooklyn, Mississippi

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Forrest County Agricultural High School as of and for the year ended June 30, 2008, which collectively comprise the Forrest County Agricultural High School's basic financial statements and have issued our report thereon dated November 11, 2008. 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 Forrest County Agricultural High School'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 Forrest County Agricultural High School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Forrest County Agricultural High School's internal control over financial reporting.

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

Superintendent and School Board
Forrest County Agricultural High School
Brooklyn, Mississippi

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 Forrest County Agricultural High School'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 Forrest County Agricultural High School's financial statements that is more than inconsequential will not be prevented or detected by Forrest County Agricultural High School's internal control. We consider that deficiencies described in the accompanying schedule of findings and questioned costs as findings 2008-1, 2008-2, and 2008-3 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider finding 2008-2 and 2008-3 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Forrest County Agricultural High School'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*.

We noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated November 11, 2008, which is included in this report.

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

Nicholson & Company, PLLC
Hattiesburg, Mississippi
November 11, 2008

***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
Forrest County Agricultural High School
Brooklyn, Mississippi

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Forrest County Agricultural High School as of and for the year ended June 30, 2008, which collectively comprise Forrest County Agricultural High School District's basic financial statements and have issued our report thereon dated November 11, 2008. 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), 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 \$2,618 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 code' 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.

Superintendent and School Board
Forrest County Agricultural High School
Brooklyn, Mississippi

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

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

1. Finding

In testing compliance with requirements of Section 25-1-19, Miss. Code Ann. (1972), we noted that three of the six board members did not have current surety bonds recorded with the Forrest County Chancery Clerk's office.

Recommendation

Upon original issue or renewal all surety bonds should promptly be recorded with the county chancery clerk's office.

Auditee Response

All surety bonds have been recorded with the county chancery clerk's office. In the future all new issuances or renewals will be promptly filed with the chancery clerk's office upon receipt.

2. Finding

We were not able to test compliance with Section 37-61-19 because the final amended budget was not provided. Due to recent staff turnover, the budget in sufficient detail to complete our compliance testing could not be located.

Recommendation

Management should ensure that the final amended budget is approved by the board and recorded in the minutes in sufficient detail for state legal compliance testing.

Auditee Response

The final amended budget will be approved and recorded in the school board minutes at the end of each fiscal year.

Superintendent and School Board
Forrest County Agricultural High School
Brooklyn, Mississippi

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

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

Nichols & Company, PLLC

Hattiesburg, Mississippi
November 11, 2008

SCHEDULE OF FINDINGS

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008**

Section 1: Summary of Auditor's Results

Financial Statements:

- | | |
|--|-------------|
| 1. Type of auditor's report issued on the general purpose financial statements: | |
| Governmental activities | Qualified |
| General Fund | Unqualified |
| CSIPP Grant Fund | Unqualified |
| Capital Improvements Fund | Unqualified |
| Aggregate remaining fund information | Unqualified |
| 2. Material noncompliance relating to the general purpose financial statements? | No |
| 3. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | Yes |
| b. Reportable condition(s) identified that are not considered to be material weaknesses? | Yes |

Section 2: Financial Statement Findings

The results of our tests disclosed the following findings related to the financial statements:

2008-1

Condition:

The staff had difficulty locating proper backup documentation for some expenditures tested. In one case no backup documentation could be presented for a disbursement selected by the auditor for testing.

Criteria:

An efficient internal control structure would allow for proper record keeping and filing of pertinent documentation to substantiate disbursements.

Effect:

Some disbursements could not accurately be substantiated.

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

**SCHEDULE OF FINDINGS
PAGE TWO
YEAR ENDED JUNE 30, 2008**

Section 2: Financial Statement Findings (Cont.)

Recommendation:

The staff should devise a filing system that enables backup documentation for the School District's disbursements to be located efficiently and accurately.

2008-2

Condition:

Capital asset additions and deletions were not added to the subsidiary ledger and depreciation schedule. Capital assets were not always tagged, assets were not always in identified locations, and a physical count of capital assets was not done.

Criteria:

A system should be in place to ensure that all capital assets are recorded, tagged, and accounted for with an annual inventory count.

Effect:

The accounting records did not accurately reflect the capital assets of the school, depreciation was not computed, and assets could not physically be identified.

Recommendation:

Additions and deletions of capital assets should be recorded and reconciled to the general ledger each month with the appropriate entries made to the subsidiary ledger and depreciation schedule. All assets should be tagged and the physical custody of each asset should be maintained. A physical inventory of capital assets should be performed annually.

FORREST COUNTY AGRICULTURAL HIGH SCHOOL

**SCHEDULE OF FINDINGS
PAGE THREE
YEAR ENDED JUNE 30, 2008**

Section 2: Financial Statement Findings (Cont.)

2008-3

Condition:

A critical aspect of financial management is the maintenance of accurate accounting records. The personnel in charge of financial management do not appear to possess the necessary knowledge and training to prepare the financial statements in accordance with generally accepted accounting principles. Without adequate controls in place over the recording of and reporting of financial records, the risk increases that inaccurate information may be reported and increases the possibility of loss or misappropriation of public funds.

Criteria:

Management in charge of financial recording and reporting of financial records should have the ability and proper training necessary to prepare the financial statements in accordance with generally accepted accounting principles.

Effect:

In some cases the current financial personnel were not able to generate reports required to substantiate financial transactions. Additionally, because management lacked the knowledge to apply generally accepted accounting principles, the auditor prepared the school's financial statements.

Recommendation:

The school board should ensure that personnel in charge of financial records obtain the necessary training to enable them to accurately and efficiently report the school's financial transactions in accordance with generally accepted accounting principles.

Forrest County Agricultural High School

Stephen C. May
Business Manager

AUDITEE'S CORRECTIVE ACTION PLAN AND SCHEDULE OF PRIOR AUDIT FINDINGS

As required by Section 316 (b) of OMB Circular A-133, the Forrest County Agricultural High School has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2008:

<u>Finding:</u>	<u>Corrective Action Plan Details:</u>
2008-1	<p>(a) Name of Contact Person for Corrective Action: Stephen May, Business Manager and Elizabeth Yankay, Superintendent</p> <p>(b) Corrective Action Planned: The new Business Manager will ensure proper internal controls are in place to ensure proper record keeping and filing of all pertinent documentation.</p> <p>(c) Anticipated Completion Date: Proper internal controls are being implemented and an organized filing system is in place to ensure proper documentation is filed.</p>
2008-2	<p>(a) Name of Contact Person for Corrective Action: Stephen May, Business Manager and Elizabeth Yankay, Superintendent</p> <p>(b) Corrective Action Planned: A complete inventory reconciliation to identify all capital assets is being conducted. Reconciliation to the subsidiary ledger will be conducted after the physical reconciliation to ensure all capital assets are properly recorded. A fixed asset manager will be nominated to ensure proper tagging, recording, and tracking of capital assets.</p> <p>(c) Anticipated Completion Date: Physical inventory reconciliation is currently in process. Reconciliation to the subsidiary ledger will be completed by May 2009 and a follow-up physical reconciliation at end of school year.</p>
2008-3	<p>(a) Name of Contact Person for Corrective Action: Stephen May, Business Manager and Elizabeth Yankay, Superintendent</p>

Forrest County Agricultural High School

Stephen C. May
Business Manager

- (b) **Corrective Action Planned:**
A new business manager has been hired effective 1/1/09 and is currently enrolled at MS College completing his Accounting degree. The Business Manager will take advantage of all training available in reference to school financial reporting and will ensure generally accepted accounting principles are followed.
- (c) **Anticipated Completion Date:**
New Business Manager was hired effect 1/1/09 and will complete his Accounting degree by 8/31/09. He will continue to expand his training and knowledge as training courses are available.

As required by Section .315 (b) of OMB Circular A-133, the Forrest County Agricultural High School has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2007:

<u>Finding:</u>	<u>Corrective Action Taken:</u>
2007-1:	Finding has been corrected
2007-2:	Finding is repeated
2007-3:	Finding has been corrected
2007-4:	Finding has been corrected