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JEFFERSON DAVIS COUNTY SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2008**

**Charles L. Shivers, CPA
Ridgeland, MS**

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FINANCIAL AUDIT REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Jefferson Davis County School District

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

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson Davis County 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*, I have also issued my report dated September 1, 2009, on my consideration of the Jefferson Davis County School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

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

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jefferson Davis County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds is presented for purposes of additional analysis 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 my 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, I express no opinion on it.



Ridgeland, MS
September 1, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The discussion and analysis of the Jefferson Davis County 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 \$7,424,026, which represents a 47% increase from fiscal year 2007. This increase in net assets is primarily due to the following: 1) sixteenth section sources in the amount of 5,081,146 generated during the fiscal year primarily from oil and gas royalties, the sale of timber, easements and rights-of-way, sixteenth section leases and earnings on sixteenth section investments, 2) insurance loss recoveries in the amount of \$1,033,656 resulting from damages caused by Hurricane Katrina, and 3) the District's conservative approach to budgeting and spending during the fiscal year.
- General revenues accounted for \$18,734,879 in revenue, or 78% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,113,453, or 17% of total revenues. Special items consisting of insurance loss recoveries related to damages caused by Hurricane Katrina accounted for \$1,033,656, or 5% of total revenues.
- The District had \$16,456,358 in expenses; only \$4,113,453 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$18,734,879 were adequate to provide for these programs.
- Among major funds, the General Fund had \$11,928,013 in revenues and \$11,097,828 in expenditures. After net other financing sources of \$1,063,228, the net change in fund balance for the General Fund was an increase of \$1,891,087 from the previous fiscal year. This increase is primarily a result of insurance loss recoveries resulting from damages caused by Hurricane Katrina and the District's conservative approach to budgeting and spending during the fiscal year.
- Capital assets, net of accumulated depreciation, decreased by \$259,144.
- Long-term debt decreased by \$285,256.

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.

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

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.

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.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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 \$23,273,747 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. \$3,142,435 of the District's net assets (14%) reflects its investment in capital assets (e.g., land,

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

construction in progress, 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. \$17,754,409 of the District's net assets (76%) reflects its restricted net assets. A portion of the restricted net assets is expendable for school based activities, debt service, capital improvements, forestry improvements and unemployment benefits. The remaining portion of the restricted net assets is nonexpendable for 16th section investment purposes. \$2,376,903 of the District's net assets (10%) 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.

	Net Assets		Percentage Change
	<u>June 30, 2008</u>	<u>June 30, 2007</u>	
Current assets	\$ 4,513,980	\$ 3,022,596	49.3 %
Other assets	16,229,627	10,413,091	55.9 %
Capital assets, net	<u>7,197,435</u>	<u>7,456,579</u>	(3.5) %
Total assets	<u>27,941,042</u>	<u>20,892,266</u>	33.7 %
Current liabilities	338,674	428,668	(21.0) %
Long-term debt outstanding	<u>4,328,621</u>	<u>4,613,877</u>	(6.2) %
Total liabilities	<u>4,667,295</u>	<u>5,042,545</u>	(7.4) %
Net assets:			
Invested in capital assets, net of related debt	3,142,435	3,166,579	(0.8) %
Restricted	17,754,409	13,006,279	36.5 %
Unrestricted	<u>2,376,903</u>	<u>(323,137)</u>	835.6 %
Total net assets	<u>\$ 23,273,747</u>	<u>15,849,721</u>	46.8 %

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

- Current assets increased from the previous fiscal year due primarily to an increase in cash and cash equivalents.
- Other (restricted) assets increased from the previous fiscal year due primarily to an increase in cash and cash equivalents, cash with fiscal agent and investments in the Sixteenth Section Principal Funds and the MAEP Debt Service 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 and deferred (unearned) revenue.
- 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 sixteenth section purposes.
- Unrestricted net assets increased from the previous fiscal year due primarily to an increase 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 \$23,881,988. The total cost of all programs and services was \$16,456,358. 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.

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

	<u>Change in Net Assets</u>		<u>Percentage Change</u>
	<u>June 30, 2008</u>	<u>June 30, 2007</u>	
Revenues:			
Program revenues:			
Charges for services	\$ 214,544	\$ 358,560	(40.2) %
Operating grants and contributions	3,898,909	3,740,182	4.2 %
General revenues:			
Property taxes	2,174,842	2,144,488	1.4 %
Grants and contributions not restricted	10,538,157	10,681,501	(1.3) %
Other	6,021,880	2,526,193	138.4 %
Special items	<u>1,033,656</u>	<u>0</u>	
Total revenues	<u>23,881,988</u>	<u>19,450,924</u>	22.8 %
Expenses:			
Instruction	8,459,775	9,815,222	(13.8) %
Support services	6,295,234	5,995,668	5.0 %
Non-instructional	1,063,815	1,090,235	(2.4) %
Sixteenth section	405,330	543,374	(25.4) %
Interest and other expenses on long-term liabilities	<u>232,204</u>	<u>329,616</u>	(29.6) %
Total expenses	<u>16,456,358</u>	<u>17,774,115</u>	(7.4) %
Increase (Decrease) in net assets	7,425,630	1,676,809	342.8 %
Net Assets, July 1	15,849,721	14,199,789	11.6 %
Prior Period Adjustments	<u>(1,604)</u>	<u>(26,877)</u>	
Net Assets, Restated, July 1	<u>15,848,117</u>	<u>14,172,912</u>	11.8 %
Net Assets, June 30	<u>\$ 23,273,747</u>	<u>\$ 15,849,721</u>	46.8 %

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

- General revenues increased from the previous fiscal year due primarily to an increase in sixteenth section sources resulting from revenues generated from oil and gas royalties, the sale of timber, easements and rights-of-way, sixteenth section leases and earnings on sixteenth section investments.
- Special items reported during the fiscal year consisted of insurance loss recoveries resulting from damages caused by Hurricane Katrina.
- Instruction expenses decreased from the previous fiscal year due primarily to a decrease in salaries and benefits mainly at the elementary and high school levels. This decrease is the result of a decrease in teacher units and the retirement of experienced teachers that were replaced with new teachers with less years of experience.

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	\$ 8,459,775	\$ (6,479,140)	\$ 9,815,222	\$ (7,801,634)
Support services	6,295,234	(5,224,643)	5,995,668	(5,215,488)
Non-instructional	1,063,815	(38,132)	1,090,235	128,610
Sixteenth section	405,330	(368,786)	543,374	(457,245)

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

Interest and other expenses on long-term liabilities	<u>232,204</u>	<u>(232,204)</u>	<u>329,616</u>	<u>(329,616)</u>
Total expenses	<u>\$ 16,456,358</u>	<u>\$ (12,342,905)</u>	<u>\$ 17,774,115</u>	<u>\$ (13,675,373)</u>

- The net cost of governmental activities for fiscal year 2008 in the amount of \$12,342,905 was financed by general revenue, which is made up of primarily property taxes of \$2,174,842, state revenue of \$10,275,206 and sixteenth section sources of \$5,081,146.
- Investment earnings accounted for \$920,987 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 \$20,471,208. The net change in fund balance for the fiscal year was an increase of \$7,394,561 due primarily to the following: 1) sixteenth section sources in the amount of \$5,892,993 generated during the fiscal year primarily from oil and gas royalties, the sale of timber, easements and rights-of-way, sixteenth section leases and earnings on sixteenth section investments, 2) insurance loss recoveries in the amount of \$1,033,656 resulting from damages caused by Hurricane Katrina, and 3) the District's conservative approach to budgeting and spending during the fiscal year. \$3,419,407, or 17%, 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 portion of the unreserved, undesignated fund balance reported in the Permanent Funds is a result of earnings on sixteenth section investments that have not yet been transferred to other governmental funds but may be transferred in the future. The remaining fund balance of \$17,051,801, or 83%, 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 advances, inventory, unemployment benefits, forestry improvements, capital project purposes, 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 an increase of \$1,891,087 due primarily to insurance loss recoveries resulting from damages caused by Hurricane Katrina and the District's conservative approach to budgeting and spending during the fiscal year. The net change in fund balance for the T9 R19 S16 Principal Fund for the fiscal year was an increase of \$412,168 due primarily to revenue generated from oil and gas royalties and earnings on sixteenth section investments. The net change in fund balance for the T5 R19 S16 Principal Fund for the fiscal year was an increase of \$536,389 also due primarily to oil and gas royalties and earnings on sixteenth section investments. The net change in fund balance for the 16th Section Principal Non-Shared Fund for the fiscal year was an increase of \$4,311,709 due primarily to revenue generated from oil and gas royalties, easements and rights-of-way and earnings on sixteenth section investments. The net change in fund balance for the Other Governmental Funds for the fiscal year was an increase of \$243,208.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget. Budget revisions were made to increase or decrease revenue and expenditure accounts as needed during the fiscal year to more accurately reflect actual revenue received and expenditures incurred. Budget revisions were also made to reflect insurance loss recoveries during the fiscal year and actual operating transfers made between funds. However, the budget revisions were routine in nature and were not considered significant when compared to 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 is provided in this report as required supplementary information.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2008, the District's total capital assets, before depreciation, were \$12,671,602, including land, construction in progress, buildings, building improvements, improvements other than buildings, mobile equipment and furniture and equipment. This amount represents a gross increase of \$60,212 from the previous year. Total depreciation expense for the year was \$491,029. Total accumulated depreciation as of June 30, 2008 was \$5,474,167, resulting in total net capital assets of \$7,197,435.

	<u>Capital Assets, Net of Depreciation</u>		<u>Percentage</u>
	<u>2008</u>	<u>2007</u>	<u>Change</u>
Land	\$ 46,600	\$ 46,600	0.0 %
Construction in progress	2,260	0	
Buildings	5,214,495	5,365,339	(2.8) %
Building improvements	822,529	704,287	16.8 %
Improvements other than buildings	216,777	228,241	(5.0) %
Mobile equipment	578,825	664,641	(12.9) %
Furniture and equipment	315,949	447,471	(29.4) %
Total	\$ 7,197,435	\$ 7,456,579	(3.5) %

Debt Administration. At June 30, 2008, the District had \$4,328,621 in limited obligation bonds and other long-term debt outstanding, of which \$342,983 is due within one year. During the fiscal year, the District made principal payments in the amount of \$274,366 on existing long-term debt.

	<u>Outstanding Debt</u>		<u>Percentage</u>
	<u>2008</u>	<u>2007</u>	<u>Change</u>
Limited obligation refunding bonds payable	\$ 3,422,000	\$ 3,530,000	(3.1) %
Certificates of participation payable	633,000	675,000	(6.2) %
Three mill notes payable	0	85,000	(100.0) %
Obligations under energy efficiency leases	203,367	242,733	(16.2) %
Compensated absences payable	70,254	81,144	(13.4) %
Total	\$ 4,328,621	\$ 4,613,877	(6.2) %

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Jefferson Davis County School District, P. O. Box 1197, Prentiss, MS 39474.

BASIC FINANCIAL STATEMENTS

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Jefferson Davis County School District
Statement of Net Assets
June 30, 2008

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 3,325,465
Due from other governments	\$ 793,895
Accrued interest receivable	\$ 84
Other receivables, net	\$ 25,095
Inventories	\$ 27,586
Restricted assets (Note 4)	\$ 16,571,482
Non-depreciable capital assets (Note 5)	\$ 48,860
Depreciable capital assets, net (Note 5)	\$ 7,148,575
Total Assets	\$ 27,941,042
Liabilities	
Accounts payable and accrued liabilities	\$ 216,670
Unearned revenue	\$ 55,729
Interest payable on long-term liabilities	\$ 66,275
Long-term liabilities (Due within one year) (Note6)	
Capital related liabilities	\$ 296,000
Non-capital related liabilities	\$ 46,983
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	\$ 3,759,000
Non-capital related liabilities	\$ 226,638
Total Liabilities	\$ 4,667,295
Net assets	
Invested in capital assets (net of related debt)	\$ 3,142,435
Restricted net assets	
Expendable	
School-based activities	\$ 796,469
Debt service	\$ 446,247
Capital improvements	\$ 20,294
Forestry improvements	\$ 104,526
Unemployment benefits	\$ 45,545
Non-expendable	
Sixteenth section	\$ 16,341,328
Unrestricted	\$ 2,376,903
Total Net Assets	\$ 23,273,747

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

Jefferson Davis County School District
Statement of Activities
For the Year Ended June 30, 2008

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction	\$ 8,459,775	\$ 137,081	\$ 1,843,554	\$ (6,479,140)
Support services	\$ 6,295,234	\$ 40,919	\$ 1,070,591	\$ (5,183,724)
Non-instructional	\$ 1,063,815	\$ 36,544	\$ 984,764	\$ (42,507)
Sixteenth section	\$ 405,330			\$ (405,330)
Interest and other expenses on long-term liabilities	\$ 232,204			\$ (232,204)
Total Governmental Activities	\$ 16,456,358	\$ 214,544	\$ 3,898,909	\$ (12,342,905)
General Revenues				
Taxes				
General purpose levies				\$ 2,085,344
Debt purpose levies				\$ 89,498
Unrestricted grants and contributions				
State				\$ 10,275,206
Federal				\$ 262,951
Unrestricted investment earnings				\$ 920,987
Sixteenth section sources				\$ 5,081,146
Other				\$ 19,747
Total General Revenues				\$ 18,734,879
Special items (Note 13)				\$ 1,033,656
Total General Revenues and Special Items				\$ 19,768,535
Changes in Net Assets				
Net Assets - Beginning				\$ 15,849,721
Prior Period Adjustments (Note 9)				\$ (1,604)
Net Assets - Beginning - Restated				\$ 15,848,117
Net Assets - Ending				\$ 23,273,747

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

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Jefferson Davis County School District
 Balance Sheet - Governmental Funds
 June 30, 2008

Exhibit C

	Major Funds					Total Governmental Funds
	General Fund	T9 R19 S16 Principal Fund	T5 R19 S16 Principal Fund	16th Section Principal Fund Non-Shared	Other Governmental Funds	
Assets						
Cash and cash equivalents (Note 2)	\$ 2,473,900	\$ 1,735,962	\$ 1,523,382	\$ 7,087,853	\$ 1,361,401	\$ 14,182,498
Cash with fiscal agent (Note 2)			\$ 574,077			\$ 574,077
Investments (Note 2)		\$ 850,000	\$ 4,124,264	\$ 20,386	\$ 145,722	\$ 5,140,372
Due from other governments	\$ 185,248				\$ 608,647	\$ 793,895
Accrued interest receivable			\$ 84			\$ 84
Other receivables, net			\$ 24,755		\$ 340	\$ 25,095
Due from other funds (Note 3)	\$ 324,754	\$ 20,170	\$ -			\$ 344,924
Advances to other funds (Note 3)		\$ 200,000	\$ 1,051,000			\$ 1,251,000
Inventories					\$ 27,586	\$ 27,586
Total Assets	\$ 2,983,902	\$ 2,806,132	\$ 7,297,562	\$ 7,108,239	\$ 2,143,696	\$ 22,339,531
Liabilities and Fund Balances						
Liabilities						
Accounts payable & accrued liabilities	\$ 92,047	\$ 6,355	\$ 22,562		\$ 95,706	\$ 216,670
Due to other funds (Note 3)					\$ 344,924	\$ 344,924
Advances from other funds (Note 3)	\$ 1,251,000				\$ 55,729	\$ 1,251,000
Unearned revenue						\$ 55,729
Total Liabilities	\$ 1,343,047	\$ 6,355	\$ 22,562	\$ -	\$ 496,359	\$ 1,868,323
Fund Balances						
Reserved for						
Capital project purposes					\$ 20,294	\$ 20,294
Debt service purposes					\$ 512,522	\$ 512,522
Permanent fund purposes		\$ 2,545,065	\$ 5,463,859	\$ 6,921,351	\$ 160,053	\$ 15,090,328
Unemployment benefits					\$ 45,545	\$ 45,545
Forestry improvements					\$ 104,526	\$ 104,526
Advances		\$ 200,000	\$ 1,051,000			\$ 1,251,000
Inventory					\$ 27,586	\$ 27,586

Unreserved									
Undesignated, reported in									
General fund	\$ 1,640,855								\$ 1,640,855
Special revenue funds						\$ 768,883			\$ 768,883
Permanent funds		\$ 54,712	\$ 760,141	\$ 186,888		\$ 7,928			\$ 1,009,669
Total Fund Balances	<u>\$ 1,640,855</u>	<u>\$ 2,799,777</u>	<u>\$ 7,275,000</u>	<u>\$ 7,108,239</u>		<u>\$ 1,647,337</u>			<u>\$ 20,471,208</u>
Total Liabilities and Fund Balances	<u>\$ 2,983,902</u>	<u>\$ 2,806,132</u>	<u>\$ 7,297,562</u>	<u>\$ 7,108,239</u>		<u>\$ 2,143,696</u>			<u>\$ 22,339,531</u>

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

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Jefferson Davis County 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	\$ 20,471,208
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets are used in governmental activities and are not financial resources, therefore the assets are not reported in the governmental funds, net of accumulated depreciation of \$5,474,167.	\$ 7,197,435
Long-term liabilities are not due and payable in the current period, therefore the long-term liabilities are not reported in the governmental funds.	\$ (4,328,621)
Accrued interest payable on long-term liabilities is not due and payable in the current period, therefore it is not reported in the governmental funds.	<u>\$ (66,275)</u>
Total net assets - governmental activities	<u>\$ 23,273,747</u>

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

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

Exhibit D

	Major Funds				Total Governmental Funds
	T9 R19 S16 Principal Fund	T5 R19 S16 Principal Fund	16th Section Principal Fund Non-Shared	Other Governmental Funds	
Revenues					
Local sources	\$ 2,344,018			\$ 169,430	\$ 2,513,448
State sources	\$ 9,216,362			\$ 1,591,465	\$ 10,807,827
Federal sources	\$ 367,633			\$ 3,261,606	\$ 3,629,239
Sixteenth section sources		\$ 472,221	\$ 4,311,709	\$ 317,068	\$ 5,892,993
Total Revenues	\$ 11,928,013	\$ 472,221	\$ 4,311,709	\$ 5,339,569	\$ 22,843,507
Expenditures					
Instruction	\$ 6,081,119			\$ 2,148,641	\$ 8,229,760
Support services	\$ 4,756,745			\$ 1,277,553	\$ 6,034,298
Noninstructional services	\$ 103			\$ 1,087,139	\$ 1,087,242
Sixteenth section		\$ 60,053	\$ 255,606	\$ 89,671	\$ 405,330
Facilities acquisition and construction	\$ 162,661				\$ 162,661
Debt service					
Principal (Note 6)	\$ 39,366			\$ 235,000	\$ 274,366
Interest	\$ 57,834			\$ 175,291	\$ 233,125
Other				\$ 2,432	\$ 2,432
Total Expenditures	\$ 11,097,828	\$ 60,053	\$ -	\$ 5,015,727	\$ 16,429,214
Excess (Deficiency) of Revenues Over Expenditures	\$ 830,185	\$ 412,168	\$ 4,311,709	\$ 323,842	\$ 6,414,293
Other Financing Sources (Uses)					
Insurances loss recoveries	\$ 1,033,656			\$ 4,825	\$ 1,038,481
Sale of transportation equipment	\$ 6,210				\$ 6,210
Operating transfers in (Note 3)	\$ 88,858			\$ 51,998	\$ 140,856
Operating transfers out (Note 3)	\$ (51,998)			\$ (88,858)	\$ (140,856)
Other financing uses	\$ (13,498)			\$ (51,429)	\$ (64,927)
Total Other Financing Sources (Uses)	\$ 1,063,228	\$ -	\$ -	\$ (83,464)	\$ 979,764
Net Change in Fund Balances	\$ 1,893,413	\$ 412,168	\$ 4,311,709	\$ 240,378	\$ 7,394,057

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

Exhibit D-1

	<u>Amount</u>
Net change in fund balance - governmental funds	\$ 7,394,057
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital assets as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$258,966 and the depreciation expense amounted to \$491,029.	\$ (232,063)
Payment on the principal on long-term liabilities is reported as expenditures in the governmental funds, but the payment reduces long-term liabilities in the statement of activities.	\$ 274,366
Expenses associated with changes in the compensated absences liability is reported in the statement of activities, but is not reported in the governmental funds.	\$ 10,890
The sale and/or disposal of capital assets is reported as other financing sources in the governmental funds, but is reported as a reduction of capital assets, net of accumulated depreciation, along with the loss on the sale/disposal of capital assets on the statement of activities.	\$ (27,081)
Accrued interest payable is reported in the statement of activities, but is not reported in the governmental funds.	\$ 3,353
The decrease in inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are decreased in the Statement of Activities.	<u>\$ 2,108</u>
Changes in net assets of governmental activities	<u><u>\$ 7,425,630</u></u>

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

Jefferson Davis County School District
Statement of Fiduciary Assets and Liabilities
June 30, 2008

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents (Note 2)	<u>\$ 611,921</u>
Total Assets	<u><u>\$ 611,921</u></u>
Liabilities	
Accounts payable and accrued liabilities	\$ 562,778
Due to student clubs	<u>\$ 49,143</u>
Total Liabilities	<u><u>\$ 611,921</u></u>

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

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Jefferson Davis County School District
Notes to the 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 a "primary government." The school district is governed by a five member board to which each member was elected by the citizens of each defined county district.

For financial reporting purposes, the 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.

Blended component unit.

The Jefferson Davis County School District Leasing Authority ("the Authority") as explained in the following paragraph is considered to be a blended component unit as determined by Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* and is included in the district's reporting entity.

The Authority is governed by a five member board which was appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, equity, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see Note 12).

B. Basis of Presentation.

Government-wide Financial Statements:

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

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

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

Jefferson Davis County School District
Notes to the Financial Statements
For the Year Ended June 30, 2008

categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

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

Fund Financial Statements:

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

The school district reports the following major governmental funds:

General Fund – This is the school district’s primary operating fund. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support, and other costs.

T9 R19 S16 Principal Fund – This is a permanent fund used to account for resources from sixteenth section trust lands that are legally restricted to the extent that only earnings, and not the principal, may be used for purposes that supports the district’s programs.

T5 R19 S16 Principal Fund – This is a permanent fund used to account for resources from sixteenth section trust lands that are legally restricted to the extent that only earnings, and not the principal, may be used for purposes that supports the district’s programs.

16th Section Principal Fund Non-shared – This is a permanent fund used to account for resources from sixteenth section trust lands that are legally restricted to the extent that only earnings, and not the principal, may be used for purposes that supports the district’s programs.

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

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

The District’s fiduciary funds include the following:

Payroll Clearing Fund – This fund is used as a clearing account for payroll and payroll related transactions.

Accounts Payable Clearing – This fund is used as a clearing account for non-payroll transactions.

Student Club Accounts – These funds are used to account for the transaction of student clubs.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUND TYPES

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

Jefferson Davis County School District
Notes to the Financial Statements
For the Year Ended June 30, 2008

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.

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 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.

Jefferson Davis County School District
Notes to the Financial Statements
For the Year Ended June 30, 2008

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 maintained to account for commitments resulting from purchase orders, work orders, and contracts during the fiscal year. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported as reservations of fund balances since they do not constitute expenditures or liabilities.

F. Assets, liabilities, and net assets or equity.

1. Cash, Cash Equivalents and Investments.

Cash and Cash Equivalents.

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

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 for the district, as well as for its component units, 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.

Jefferson Davis County School District
Notes to the 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.

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.

5. Restricted Assets.

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

6. Capital Assets.

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

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

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

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

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

7. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state

Jefferson Davis County School District
Notes to the Financial Statements
For the Year Ended June 30, 2008

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

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

Reserved for permanent fund purposes – An account that represents a portion of the fund balance that is legally restricted for investment purposes or borrowing by the school board for capital purposes.

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

Jefferson Davis County School District
Notes to the Financial Statements
For the Year Ended June 30, 2008

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.

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

(2) Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments.

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

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

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

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$ 14,182,498 and \$611,921, respectively. The bank balance was \$15,650,805.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

Cash with Fiscal Agents.

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$574,077.

Investments.

As of June 30, 2008, the district had the following investments.

Jefferson Davis County School District
Notes to the Financial Statements
For the Year Ended June 30, 2008

Type of Investment	Maturities	Fair Value	Credit Rating
Federal Farm Credit Bank	Less than 1 year	\$ 101,969	AAA
Federal Home Loan Bank	1 to 5 years	\$ 197,500	AAA
Federal Home Loan Bank	5 to 10 years	\$ 250,470	AAA
Federal Home Loan Bank	More than 10 years	\$ 75,891	AAA
Federal Home Loan Mortgage Corporation	Less than 1 year	\$ 179,774	AAA
Federal Home Loan Mortgage Corporation	1 to 5 years	\$ 642,678	AAA
Federal National Mortgage Association	1 to 5 years	\$ 415,658	AAA
Federal National Mortgage Association	5 to 10 years	\$ 416,046	AAA
Government National Mortgage Association	More than 10 years	\$ 183,244	AAA
Treasury Securities Money Market Mutual Fund	Less than 1 year	\$ 145,722	AAA
US Treasury Note	Less than 1 year	\$ 456,138	N/A
US Treasury Note	1 to 5 years	\$ 1,579,620	N/A
US Treasury Note	5 to 10 years	\$ 495,662	N/A
Total		\$ <u>5,140,372</u>	

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

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

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

Concentration of Credit Risk. Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2008, the district had the following investments:

Type of Investment	Fair value	Percent of Investments
Federal Home Loan Bank	\$ 523,861	10%
Federal Home Loan Mortgage Corporation	\$ 822,452	16%
Federal National Mortgage Association	\$ 831,704	16%

(3) Interfund Receivables, Payables and Transfers.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds.

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	\$ 324,754
Major fund -- T9 R19 S16		
Principal Fund	Other governmental funds	\$ 20,170
Total		\$ <u>344,924</u>

The purpose of the more significant interfund loans was to eliminate deficit cash balances in certain federal programs as part of the normal year end closing adjustments.

Jefferson Davis County School District
Notes to the Financial Statements
For the Year Ended June 30, 2008

B. Advances To/From Other Funds.

Receivable Fund	Payable Fund	Amount
Major fund – T9 R19 S16		
Principal Fund	General Fund	\$ 200,000
Major fund – T5 R19 S16		
Principal Fund	General Fund	\$ 1,051,000
Total		\$ 1,251,000

Note: The sixteenth section principal loans payable is not reflected on the Statement of Net Assets because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions were reflected on Exhibit D-1.

Sixteenth section principal loans payable.

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

Year Ending June 30	Principal	Interest	Total
2009	\$ 278,000	\$ 42,040	\$ 320,040
2010	\$ 78,000	\$ 38,920	\$ 116,920
2011	\$ 78,000	\$ 35,800	\$ 113,800
2012	\$ 78,000	\$ 32,680	\$ 110,680
2013	\$ 78,000	\$ 29,560	\$ 107,560
2014 – 2018	\$ 290,000	\$ 107,000	\$ 397,000
2019 – 2023	\$ 265,000	\$ 53,000	\$ 318,000
Thereafter	\$ 106,000	\$ 6,360	\$ 112,360
Total	\$ 1,251,000	\$ 345,360	\$ 1,596,360

C. Interfund Transfers.

Transfer Out	Transfer In	Amount
General Fund	Other governmental funds	\$ 51,998
Other governmental funds	General Fund	\$ 88,858
Total		\$ 140,856

The transfer out of the General Fund was for the purpose of funding the unemployment compensation fund. The transfer from the Other Governmental Funds was for indirect cost.

(4) Restricted Assets.

The restricted assets totaling \$16,571,482 represents the following cash and investment balances: (1) Cash of \$10,515,178, cash with fiscal agent of \$574,077 and investments of \$4,994,650 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, (2) cash of \$164,377 and investments of \$145,722 of the MAEP Limited Obligation Bond Fund which is legally restricted for the retirement of debt and (3) cash of \$ 177,478 of various other funds which are legally restricted for specific purposes.

(5) Capital Assets.

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

Jefferson Davis County School District
Notes to the Financial Statements
For the Year Ended June 30, 2008

Governmental Activities:	<u>Balance</u>			<u>Balance</u>
Non-depreciable capital assets:	<u>7-1-2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>6-30-2008</u>
Land	\$ 46,600			\$ 46,600
Construction in progress	\$ 0	\$ 2,260	\$ 0	\$ 2,260
Total non-depreciable capital assets	<u>\$ 46,600</u>	<u>\$ 2,260</u>	<u>\$ 0</u>	<u>\$ 48,860</u>
Depreciable capital assets:				
Buildings	\$ 7,828,292		\$ (72,060)	\$ 7,756,232
Building improvements	\$ 1,096,940	\$ 160,401		\$ 1,257,341
Improvements other than buildings	\$ 286,618			\$ 286,618
Mobile equipment	\$ 2,051,842	\$ 9,460	\$ (126,694)	\$ 1,934,608
Furniture and equipment	\$ 1,301,098	\$ 86,845		\$ 1,387,943
Total depreciable capital assets	<u>\$ 12,564,790</u>	<u>\$ 256,706</u>	<u>\$ (198,754)</u>	<u>\$ 12,622,742</u>
Less accumulated depreciation for:				
Buildings	\$ 2,462,953	\$ 136,432	\$ (57,648)	\$ 2,541,737
Building improvements	\$ 392,653	\$ 42,158		\$ 434,811
Improvements other than buildings	\$ 58,377	\$ 11,465		\$ 69,842
Mobile equipment	\$ 1,387,201	\$ 82,607	\$ (114,025)	\$ 1,355,783
Furniture and equipment	\$ 853,627	\$ 218,367		\$ 1,071,994
Total depreciation	<u>\$ 5,154,811</u>	<u>\$ 491,029</u>	<u>\$ (171,673)</u>	<u>\$ 5,474,167</u>
Total depreciable capital assets, net	<u>\$ 7,409,979</u>	<u>\$ (234,323)</u>	<u>\$ (27,081)</u>	<u>\$ 7,148,575</u>
Governmental activities capital assets, net	<u>\$ 7,456,579</u>	<u>\$ (232,063)</u>	<u>\$ (27,081)</u>	<u>\$ 7,197,435</u>

Depreciation expense was charged to the following governmental functions:

<u>Governmental activities:</u>	<u>Amount</u>
Instruction	\$ 173,141
Support services	\$ 261,389
Non-instructional	\$ 56,499
Total Depreciation Expense	<u>\$ 491,029</u>

(6) Long-term Liabilities.

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

	<u>Balance</u>			<u>Balance</u>	<u>Amounts due</u>
	<u>7-1-2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>6-30-2008</u>	<u>within one year</u>
A. Limited obligation bonds payable	\$ 3,530,000		\$ 108,000	\$ 3,422,000	\$ 252,000
B. Certificates of participation payable	\$ 675,000		\$ 42,000	\$ 633,000	\$ 44,000
C. Three mill notes payable	\$ 85,000		\$ 85,000	\$ 0	
D. Obligations under energy efficiency lease	\$ 242,733		\$ 39,366	\$ 203,367	\$ 41,363
E. Compensated absences payable	\$ 81,144	\$ 0	\$ 10,890	\$ 70,254	\$ 5,620

Jefferson Davis County School District
Notes to the Financial Statements
For the Year Ended June 30, 2008

	<u>Balance</u> <u>7-1-2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6-30-2008</u>	<u>Amounts</u> <u>due</u> <u>within one</u> <u>year</u>
Total	\$ 4,613,877	\$ 0	\$ 285,256	\$ 4,328,621	\$ 342,983

The district has pledged state appropriations for Mississippi Adequate Education Program in the amount of \$389,014. The purpose of the pledge is to repay state aid capital improvement bonds of the district. The pledge will remain in effect through 2018. The amount of the pledge is the total amounts of funds available to the district for this particular purpose. During the year, the pledged revenues represent 100% of the principal and interest requirements for the debt.

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:

<u>Description</u>	<u>Interest</u> <u>Rate</u>	<u>Issue</u> <u>Date</u>	<u>Maturity</u> <u>Date</u>	<u>Amount</u> <u>Issued</u>	<u>Amount</u> <u>Outstanding</u>
State aid capital Improvement bonds	3.9	2-1-07	2-1-18	\$ 3,530,000	\$ 3,422,000

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

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 252,000	\$ 130,850	\$ 382,850
2010	\$ 265,000	\$ 120,588	\$ 385,588
2011	\$ 270,000	\$ 109,968	\$ 379,968
2012	\$ 283,000	\$ 98,991	\$ 381,991
2013	\$ 295,000	\$ 87,518	\$ 382,518
2014 – 2018	\$ 2,057,000	\$ 248,140	\$ 2,305,140
Total	\$ 3,422,000	\$ 796,055	\$ 4,218,055

This debt will be retired from the MAEP retirement fund (Debt Service Fund).

B. Certificates of participation payable.

As more fully explained in Note 12, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

<u>Description</u>	<u>Interest</u> <u>Rate</u>	<u>Issue</u> <u>Date</u>	<u>Maturity</u> <u>Date</u>	<u>Amount</u> <u>Issued</u>	<u>Amount</u> <u>Outstanding</u>
Certificates of participation	4.9	4-1-99	4-1-19	\$ 950,000	\$ 633,000

Details of the district's June 30, 2008 certificates of participation are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 44,000	\$ 31,016	\$ 75,016
2010	\$ 47,000	\$ 28,860	\$ 75,860
2011	\$ 49,000	\$ 26,558	\$ 75,558
2012	\$ 52,000	\$ 24,156	\$ 76,156
2013	\$ 54,000	\$ 21,608	\$ 75,608

Jefferson Davis County School District
Notes to the Financial Statements
For the Year Ended June 30, 2008

Year Ending June 30	Principal	Interest	Total
2014 - 2018	\$ 315,000	\$ 65,212	\$ 380,212
2019	\$ 72,000	\$ 3,528	\$ 75,528
Total	\$ 633,000	\$ 200,938	\$ 833,938

This debt will be retired from the other debt service fund (Debt Service Fund). This debt is financed from a pledge of state education enhancement funds for building and buses.

C. Three mill notes payable.

The three mill notes payable were paid in full during the fiscal year.

D. Obligations under energy efficiency lease.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Energy efficiency lease	4.13	8-1-2005	8-1-2012	\$ 281,843	\$ 203,367

Details of the district's June 30, energy efficiency lease payable are as follows:

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2009	\$ 41,363	\$ 9,675	\$ 51,038
2010	\$ 43,461	\$ 7,578	\$ 51,039
2011	\$ 45,666	\$ 5,373	\$ 51,039
2012	\$ 47,982	\$ 3,057	\$ 51,039
2013	\$ 24,895	\$ 624	\$ 25,519
Total	\$ 203,367	\$ 26,307	\$ 229,674

This debt will be retired from the district maintenance fund (General Fund).

E. Compensated absences payable.

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

(7) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The 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

Jefferson Davis County School District
Notes to the Financial Statements
For the Year Ended June 30, 2008

PERS for the fiscal years ending June 30, 2008, 2007 and 2006 were \$968,313, \$1,089,825 and \$1,060,226, respectively, which equaled the required contributions for each year.

(8) Sixteenth Section Lands.

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

Year Ending June 30	Amount
2009	\$ 56,339
2010	\$ 49,829
2011	\$ 39,238
2012	\$ 36,046
2013	\$ 17,461
2014 – 2018	\$ 66,762
2019 – 2023	\$ 5,327
2024 – 2028	\$ 4,468
Thereafter	\$ 13,583
Total	<u>\$ 289,053</u>

(9) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

<u>Exhibit B and Exhibit D</u>	<u>Amount</u>	<u>Explanation</u>
General Fund		
District maintenance fund	\$ (2,326)	Correction of prior year error
Total General Fund	<u>\$ (2,326)</u>	
Other Governmental Funds		
School food service fund	\$ 450	Correction of prior year error
Title II fund	\$ 33	Correction of prior year error
EHA preschool fund	\$ 39	Correction of prior year error
Forestry Escrow fund	\$ 172	Correction of prior year error
16 th section interest	\$ (172)	Correction of prior year error
Gear up fund	\$ 200	Correction of prior year error
Total Other Governmental Funds	<u>\$ 722</u>	
Total Exhibit B and Exhibit D	<u>\$ (1,604)</u>	

(10) Subsequent Events.

The school board authorized and the school district borrowed \$666,000 under the three mill/ten year authority in July 2008. The proceeds were used to acquire school buses.

(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.

Jefferson Davis County School District
Notes to the Financial Statements
For the Year Ended June 30, 2008

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 member'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 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 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.

(12) Trust Certificates.

A trust agreement dated April 1, 1999, was executed by and between the school district and Trustmark National Bank, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$950,000 for the construction and renovation of school buildings and related facilities and equipment (the "project").

The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, *et seq.*, Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 6 for details regarding the debt service requirement on the trust certificates.

Using the guidance provided in Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, equity, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

(13) Special Items.

During the 2008 FY, the school district received \$1,033,656 from an insurance carrier as a settlement for the loss incurred from damages by Hurricane Katrina.

REQUIRED SUPPLEMENTARY INFORMATION

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Jefferson Davis County School District
 Budgetary Comparison Schedule for the 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
Revenues					
Local sources	\$ 2,247,394	\$ 2,344,018	\$ 2,344,018	\$ 96,624	\$ -
State sources	\$ 8,989,907	\$ 9,216,362	\$ 9,216,362	\$ 226,455	\$ -
Federal sources	\$ 91,668	\$ 367,633	\$ 367,633	\$ 275,965	\$ -
Total Revenues	\$ 11,328,969	\$ 11,928,013	\$ 11,928,013	\$ 599,044	\$ -
Expenditures					
Instruction	\$ 6,568,435	\$ 6,081,119	\$ 6,081,119	\$ 487,316	\$ -
Support services	\$ 4,344,797	\$ 4,756,745	\$ 4,756,745	\$ (411,948)	\$ -
Noninstructional services	\$ 150	\$ 103	\$ 103	\$ 47	\$ -
Facilities acquisition and construction	\$ 115,236	\$ 162,661	\$ 162,661	\$ (47,425)	\$ -
Debt service					
Principal	\$ 442,111	\$ 39,366	\$ 39,366	\$ 402,745	\$ -
Interest	\$ 63,209	\$ 57,834	\$ 57,834	\$ 5,375	\$ -
Total Expenditures	\$ 11,533,938	\$ 11,097,828	\$ 11,097,828	\$ 436,110	\$ -
Excess (Deficiency) of Revenues Over Expenditures	\$ (204,969)	\$ 830,185	\$ 830,185	\$ 1,035,154	\$ -
Other Financing Sources (Uses)					
Insurance loss recoveries	\$ -	\$ 1,033,656	\$ 1,033,656	\$ 1,033,656	\$ -
Sale of transportation equipment	\$ -	\$ 6,210	\$ 6,210	\$ 6,210	\$ -
Sale of other property	\$ -	\$ -	\$ -	\$ -	\$ -
Operating transfers in	\$ 102,420	\$ 109,981	\$ 88,858	\$ 7,561	\$ (21,123)
Other financing sources	\$ -	\$ -	\$ -	\$ -	\$ -
Operating transfers out	\$ (12,700)	\$ (73,121)	\$ (51,998)	\$ (60,421)	\$ 21,123
Payment to refunded bond escrow agent	\$ -	\$ -	\$ -	\$ -	\$ -
Other financing uses	\$ -	\$ (13,498)	\$ (13,498)	\$ (13,498)	\$ -
Total Other Financing Sources (Uses)	\$ 89,720	\$ 1,063,228	\$ 1,063,228	\$ 973,508	\$ -
Net Change in Fund Balances	\$ (115,249)	\$ 1,893,413	\$ 1,893,413	\$ 2,008,662	\$ -
Fund Balances					
July 1, 2007			\$ (250,232)		
Prior period adjustments			\$ (2,326)		
July 1, 2007, as restated			<u>\$ (252,558)</u>		
June 30, 2008			<u>\$ 1,640,855</u>		

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

Jefferson Davis County School District
Notes to the Required Supplemental Information
For the Year Ended June 30, 2008

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15 following the end of the fiscal year. A budgetary comparison is presented for the general fund on the same basis of accounting as the budget which is consistent with accounting principles generally accepted in the United States.

SUPPLEMENTARY INFORMATION

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Jefferson Davis County 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 No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 340,762
National school lunch program	10.555	\$ 885,917
Summer food service program for children	10.559	\$ 5,524
Total child nutrition cluster		\$ 1,232,203
Total U.S. Department of Agriculture		\$ 1,232,203
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service fund	32.XXX	\$ 262,504
Total Federal Communications Commission		\$ 262,504
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	\$ 1,165,661
Career and technical education - basic grants to states	84.048	\$ 29,393
Safe and drug free schools and communities - national programs	84.184	\$ 5,925
Safe and drug-free schools and communities - state grants	84.186	\$ 21,243
State grants for innovative programs	84.298	\$ 188,988
Education technology – state grants	84.318	\$ 12,036
Rural education	84.358	\$ 67,406
Improving teacher quality – state grants	84.367	\$ 150,046
Total		\$ 1,640,698
Special education cluster:		
Special education - grants to states	84.027	\$ 496,141
Special education - preschool grants	84.173	\$ 38,336
Total		\$ 534,477
Total passed-through Mississippi Department of Education		\$ 2,175,175
Passed-through the Mississippi Institution of Higher Learning		
Gaining early awareness & readiness for undergraduate programs (gear-up)	84.334	\$ 10,399
Total passed-through the Mississippi Institution of Higher Learning		\$ 10,399
Total U.S. Department of Education		\$ 2,185,574
<u>Other Federal Assistance</u>		
Direct program:		
Reserve Officers' Training Corps	12.XXX	\$ 104,681
Total Other Federal Assistance		\$ 104,681
Total for All Federal Awards		\$ 3,784,962

Jefferson Davis County School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

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 basic financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

Jefferson Davis County 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 Administrative	School Administration	Other
Salaries and fringe benefits	\$ 11,538,608	\$ 8,355,353	\$ 550,277	\$ 907,769	\$ 1,725,209
Other	\$ 4,890,606	\$ 973,925	\$ 416,748	\$ 13,905	\$ 3,486,028
Total	<u>\$ 16,429,214</u>	<u>\$ 9,329,278</u>	<u>\$ 967,025</u>	<u>\$ 921,674</u>	<u>\$ 5,211,237</u>
Total number of students	<u>1,752</u>				
Cost per student	<u>\$ 9,377</u>	<u>\$ 5,325</u>	<u>\$ 552</u>	<u>\$ 526</u>	<u>\$ 2,974</u>

Notes to the schedule.

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.

General Administration - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.

School Administration - includes expenditures for the following function: Support Services - School Administration.

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

Total number of students - the ADA report submission for month 9, which is the final submission for the school year.

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OTHER SUPPLEMENTAL INFORMATION

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Jefferson Davis County School District
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years

UNAUDITED

	2008	2007*	2006*	2005*
Revenues				
Local sources	\$ 2,344,018	\$ 2,313,116	\$ 2,359,149	\$ 2,113,716
State sources	\$ 9,216,362	\$ 9,138,302	\$ 9,460,698	\$ 8,594,365
Federal sources	\$ 367,633	\$ 504,071	\$ 847,723	\$ 275,355
Total Revenues	\$ 11,928,013	\$ 11,955,489	\$ 12,667,570	\$ 10,983,436
Expenditures				
Instruction	\$ 6,081,119	\$ 7,438,191	\$ 7,112,147	\$ 7,094,949
Support services	\$ 4,756,745	\$ 4,915,609	\$ 5,699,946	\$ 5,055,539
Noninstructional services	\$ 103	\$ 150	\$ 188,937	\$ 266,058
Facilities acquisition and construction	\$ 162,661	\$ 57,317	\$ -	\$ -
Debt service				
Principal	\$ 39,366	\$ 39,110	\$ 14,563	\$ -
Interest	\$ 57,834	\$ 62,209	\$ 107,331	\$ 14,000
Other	\$ -	\$ 8,571	\$ -	\$ -
Total Expenditures	\$ 11,097,828	\$ 12,521,157	\$ 13,122,924	\$ 12,430,546
Excess (Deficiency) of Revenues Over Expenditures	\$ 830,185	\$ (565,668)	\$ (455,354)	\$ (1,447,110)
Other Financing Sources (Uses)				
Inception of capital leases	\$ -	\$ -	\$ 296,406	\$ -
Insurances loss recoveries	\$ 1,033,656	\$ 301,646	\$ 1,000,000	\$ -
Sale of transportation equipment	\$ 6,210	\$ 22,838	\$ -	\$ 932
Operating transfers in	\$ 88,858	\$ 964,546	\$ 492,074	\$ 938,234
Operating transfers out	\$ (51,998)	\$ (15,994)	\$ (486,009)	\$ (461,975)
Other financing uses	\$ (13,498)	\$ -	\$ -	\$ -
Total Other Financing Sources (Uses)	\$ 1,063,228	\$ 1,273,036	\$ 1,302,471	\$ 477,191
Net Change in Fund Balances	\$ 1,893,413	\$ 707,368	\$ 847,117	\$ (969,919)
Fund Balances				
July 1	\$ (250,232)	\$ (960,703)	\$ (1,809,273)	\$ (833,489)
Prior period adjustments	\$ (2,326)	\$ 3,103	\$ 1,453	\$ (5,865)
July 1, as restated	\$ (252,558)	\$ (957,600)	\$ (1,807,820)	\$ (839,354)
June 30	\$ 1,640,855	\$ (250,232)	\$ (960,703)	\$ (1,809,273)

* Source - Prior year audit reports.

Jefferson Davis County School District
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years

UNAUDITED

	2008	2007*	2006*	2005*
Revenues				
Local sources	\$ 2,513,448	\$ 2,527,380	\$ 2,659,514	\$ 2,349,967
State sources	\$ 10,807,827	\$ 10,836,379	\$ 10,747,673	\$ 9,900,442
Federal sources	\$ 3,629,239	\$ 3,585,304	\$ 4,876,084	\$ 3,654,640
Sixteenth section sources	\$ 5,892,993	\$ 2,200,215	\$ 1,334,610	\$ 1,423,792
Total Revenues	\$ 22,843,507	\$ 19,149,278	\$ 19,617,881	\$ 17,328,841
Expenditures				
Instruction	\$ 8,229,760	\$ 9,626,047	\$ 9,973,350	\$ 9,532,954
Support services	\$ 6,034,298	\$ 5,927,965	\$ 7,101,855	\$ 6,543,417
Noninstructional services	\$ 1,087,242	\$ 1,057,996	\$ 1,262,170	\$ 1,326,548
Sixteenth section	\$ 405,330	\$ 543,374	\$ 379,653	\$ 157,888
Facilities acquisition and construction	\$ 162,661	\$ 57,317	\$ -	\$ 295,825
Debt service				
Principal	\$ 274,366	\$ 369,110	\$ 328,563	\$ 302,000
Interest	\$ 233,125	\$ 272,968	\$ 334,795	\$ 258,516
Other	\$ 2,432	\$ 34,937	\$ 1,191	\$ 893
Total Expenditures	\$ 16,429,214	\$ 17,889,714	\$ 19,381,577	\$ 18,418,041
Excess (Deficiency) of Revenues Over Expenditures	\$ 6,414,293	\$ 1,259,564	\$ 236,304	\$ (1,089,200)
Other Financing Sources (Uses)				
Proceeds of refunding bonds	\$ -	\$ 3,530,000	\$ -	\$ -
Inception of capital leases	\$ -	\$ -	\$ 296,406	\$ -
Insurances loss recoveries	\$ 1,038,481	\$ 301,646	\$ 1,000,000	\$ -
Sale of transportation equipment	\$ 6,210	\$ 22,838	\$ -	\$ 932
Operating transfers in	\$ 140,856	\$ 1,218,663	\$ 1,365,899	\$ 1,454,740
Operating transfers out	\$ (140,856)	\$ (1,218,663)	\$ (1,365,899)	\$ (1,454,740)
Payment to refunded bond escrow agent	\$ -	\$ (3,505,527)	\$ -	\$ -
Other financing uses	\$ (64,927)	\$ (10,698)	\$ (1,350)	\$ (1,516)
Total Other Financing Sources (Uses)	\$ 979,764	\$ 338,259	\$ 1,295,056	\$ (584)
Net Change in Fund Balances	\$ 7,394,057	\$ 1,597,823	\$ 1,531,360	\$ (1,089,784)
Fund Balances				
July 1	\$ 13,076,647	\$ 11,502,998	\$ 9,976,315	\$ 10,989,532
Prior period adjustments	\$ (1,604)	\$ (25,063)	\$ (38)	\$ 81,764
July 1, as restated	\$ 13,075,043	\$ 11,477,935	\$ 9,976,277	\$ 11,071,296
Increase (Decrease) in reserve for inventory	\$ 2,108	\$ 889	\$ (4,639)	\$ (5,197)
June 30	\$ 20,471,208	\$ 13,076,647	\$ 11,502,998	\$ 9,976,315

* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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CHARLES L. SHIVERS

Certified Public Accountant

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

Superintendent and School Board
Jefferson Davis County School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson Davis County School District as of and for the year ended June 30, 2008, which collectively comprise the district's basic financial statements and have issued my report thereon dated September 1, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the school district'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 school district's financial statements that is more than inconsequential will not be prevented or detected by the school district's internal control.

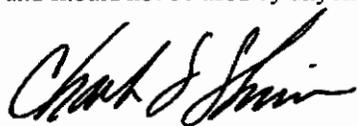
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the school district's internal control.

My consideration of 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 internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiency in the internal control over financial reporting that I consider to be material weaknesses, as described above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 district's 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.



Ridgeland, MS
September 1, 2009

CHARLES L. SHIVERS

Certified Public Accountant

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

Superintendent and School Board
Jefferson Davis County School District

Compliance

I have audited the compliance of the Jefferson Davis County School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The district's major federal programs are identified in the summary of auditor's results section of the accompanying 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. My responsibility is to express an opinion on the school district's compliance based on my audit.

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

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

Internal Control Over Compliance

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

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 entity's internal control.

My 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 internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the district's 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.



Ridgeland, MS
September 1, 2009

REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

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CHARLES L. SHIVERS

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REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
Jefferson Davis County School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson Davis County School District as of and for the year ended June 30, 2008, which collectively comprise Jefferson Davis County School District's basic financial statements and have issued my report thereon dated September 1, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the Auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds."

The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. However, providing an opinion on compliance with these requirements was not an objective of my audit and, accordingly, I do not express such an opinion. The district reported \$20,982 of classroom supply funds carried over from previous years.

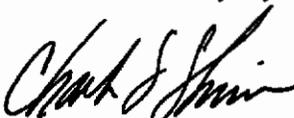
Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the Auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

The results of my 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. However, providing an opinion on compliance with these requirements was not an objective of my audit and, accordingly, I do not express such an opinion.

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

The results of procedures performed to test compliance with certain other state laws and regulations as required by the state legal compliance audit program prescribed by the Office of the Mississippi State Auditor and my 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, 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.



Ridgeland, MS
September 1, 2009

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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Jefferson Davis County School District
 Schedule of Findings and Questioned Costs
 June 30, 2008

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|-----------------------------------------------------------------------------------------|---------------|
| 1. | Type of auditor's report issued on the basic financial statements: | Unqualified |
| 2. | Material noncompliance relating to the basic financial statements? | No |
| 3. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that are not considered to be material weaknesses? | None Reported |

Federal Awards:

- | | | |
|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that are not considered to be material weaknesses? | None Reported |
| 6. | Any audit finding(s) reported as required by section __.510(a) of Circular A-133? | No |
| 7. | Federal program identified as major program: | |
| | a. Title I grants to Local Educational Agencies | |
| | CFDA #: 84.010 | |
| | b. Special Education Cluster | |
| | CFDA #: 84.027 | |
| | CFDA#: 84.173 | |
| | c. Schools and Libraries Programs of the Universal Service Fund | |
| | CFDA#: 32.XXX | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10 | Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | Yes |

Section 2: Financial Statement Findings

The results of my tests did not disclose any findings and questioned costs related to the financial statement that are required by the *Government Auditing Standards*.

Section 3: Federal Award Findings and Questioned Costs

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

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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Jefferson Davis County School District
P.O. Box 1197 - 1025 Third Street
Prentiss, Mississippi 39474-1197
PHONE (601) 792-4267 FAX (601) 792-2251



Glenn A. Swan, Conservator
Ike Haynes, Superintendent

August 28, 2009

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Financial and Compliance Audit Division

As required by Section _____ .315 (b) of OMB Circular A-133, the Jefferson Davis County School District has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of June 30, 2008:

<u>Finding</u>	<u>Status</u>
07-01	Corrected
07-02	Corrected

Sincerely,

A handwritten signature in cursive script, appearing to read 'Glenn A. Swan'.

Glenn A. Swan,
Conservator

A handwritten signature in cursive script, appearing to read 'Ike Haynes'.

Ike Haynes,
Superintendent

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