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Jefferson County School District
Audited Financial Statements
June 30, 2008

Fortenberry & Ballard, PC
Certified Public Accountants

FINANCIAL AUDIT REPORT

**Jefferson County School District
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FORTENBERRY & BALLARD, PC
Certified Public Accountants

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

Superintendent and School Board
Jefferson County School District

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

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

In our opinion the financial statements, referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Jefferson 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*, we have also issued our report dated November 17, 2008 on our consideration of the Jefferson County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 our audit.

The Management's Discussion and Analysis on pages 6 through 15 and the Budgetary Comparison Schedules and corresponding notes on pages 45 and 51 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
November 17, 2008

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

FINANCIAL HIGHLIGHTS

- Total net assets decreased \$6,307 representing a 0.13% decrease from fiscal year 2007.
- General revenues accounts for \$9,461,009, or 74% of all revenues. Last year's general revenues accounted for \$9,312,808, or 73%. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,245,950, or 26% of total revenues compared to \$3,378,882, or 27% of the total revenues in the prior fiscal year.
- The district had \$12,713,266 in expenses, an amount that increased slightly when compared with the \$12,482,113 in expenses for the prior fiscal year. Of these expenses, only \$3,245,950 were offset by program specific charges for services, grants, and contributions. General revenues listed above were not adequate to provide for the remainder of expenses incurred in fiscal year 2008.
- Among major funds, the General Fund had \$9,042,863 in revenues and \$9,042,955 in expenditures for the current fiscal year. After net other financing uses of \$448,056 due to operating transfers out made by the General Fund to other governmental funds and a prior period adjustment of \$101,144 made, the net change in fund balance was a decrease of \$448,148. This decrease is due mainly to an increase in property services related to the operation and maintenance of school facilities and expenditures incurred during the fiscal year for the construction of the Athletic Complex at the high school.
- Capital assets, net of accumulated depreciation, increased by \$33,596.
- Long-term debt increased by \$96,360.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic

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

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

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

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

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

The government-wide financial statements can be found on pages 17 and 18 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-

wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 22 and 26, respectively.

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

The basic governmental fund financial statements can be found on pages 20 and 24 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Net Assets on page 27.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28 through 44 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on pages 45 through 51 of this report.

Additionally, a schedule of federal awards, required by OMB Cir. A-133 and a schedule of instructional, administrative, and other expenditures for governmental funds can be found on pages 53 and 54 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$4,829,047 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. \$1,610,258 of the District's net assets (33%) reflects its investment in capital assets (e.g., land, construction in progress, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, and leased property under capital leases), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending. Restricted net assets comprise \$2,443,708 (51%) of the District's net assets. Expendable activities such as school-based activities, debt service, capital improvements, forestry improvements and unemployment benefits account for a majority of restricted net asset activity while non-expendable activity such as Sixteenth Section investment activity accounts for the remainder. Unrestricted net assets totaling \$775,081 (16%) account for the final portion of the District's net assets.

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

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2008 and 2007:

	<u>Net Assets</u>		<u>Percentage Change</u>
	<u>2008</u>	<u>2007</u>	
<u>Assets</u>			
Current assets	\$ 4,241,361	4,105,147	3.3%
Other assets	188,626	240,347	-21.5%
Capital assets, net	3,311,665	3,278,069	1.0%
Total assets	<u>7,741,652</u>	<u>7,623,563</u>	1.5%
<u>Liabilities</u>			
Current liabilities	98,436	161,499	-39.0%
Long-term liabilities	2,814,169	2,717,809	3.5%
Total liabilities	<u>2,912,605</u>	<u>2,879,308</u>	1.2%
<u>Net Assets:</u>			
Invested in capital assets, net of related debt	1,610,258	1,715,470	-6.1%
Restricted	2,443,708	1,901,624	28.5%
Unrestricted	775,081	1,127,161	-31.2%
Total Net Assets	<u>\$ 4,829,047</u>	<u>4,744,255</u>	1.8%

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

- Net assets invested in capital assets, net of related debt, increased from the previous fiscal year due primarily to the increase in capital assets and the reduction of long-term debt related to the capital assets.

- Restricted net assets increased from the previous fiscal year due primarily to an increase in amounts restricted for debt service and sixteenth section purposes.
- Unrestricted net assets decreased from the previous fiscal year due primarily to the decrease in the fund balance of the General Fund and an increase in non-capital related debt resulting from a shortfall note payable acquired during the fiscal year.

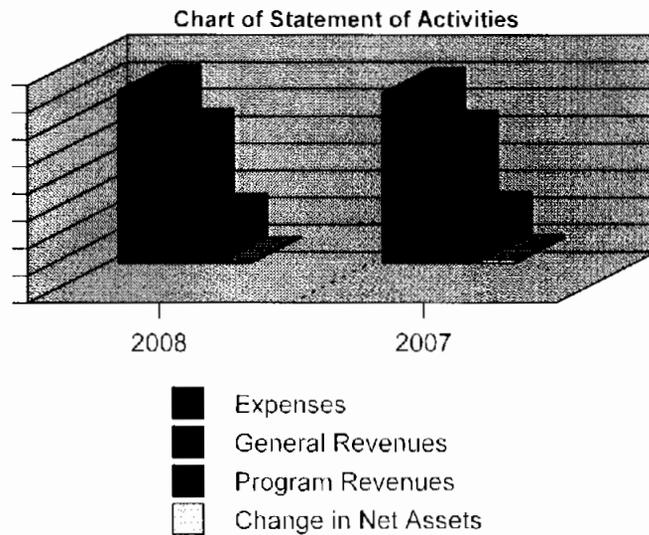
Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2008 were \$12,706,959. The total cost of all programs and services was \$12,713,266. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2008 and 2007, respectively.

	<u>2008</u>	<u>2007</u>	<u>Percentage Change</u>
Revenues			
<u>Program Revenues</u>			
Charges for services	\$ 437,129	200,852	117.6%
Operating Grants and Contributions	2,762,472	3,178,030	-13.1%
Capital Grants and Contributions	<u>46,349</u>		100.0%
Total Program Revenues	3,245,950	3,378,882	-3.9%
<u>General Revenues</u>			
Property Taxes	1,909,230	1,788,227	6.8%
Unrestricted Grants and Contributions	7,310,219	7,279,557	0.4%
Other	<u>241,560</u>	<u>245,024</u>	-1.4%
Total General Revenues	9,461,009	9,312,808	1.6%
Total revenues	<u>12,706,959</u>	<u>12,691,690</u>	-0.1%
Expenses			
Instruction	6,423,063	7,018,382	-8.5%
Support services	5,276,215	4,583,619	15.1%
Non-instructional	861,090	708,149	21.6%
Sixteenth section	14,863	32,903	-54.8%
Interest on long-term liabilities	<u>138,035</u>	<u>139,060</u>	-0.7%
Total expenses	12,713,266	12,482,113	1.9%
Increase (Decrease) in net assets	<u>(6,307)</u>	<u>209,577</u>	-103.0%
Net Assets, July 1	4,744,255	4,518,585	5.0%
Prior Period Adjustment	91,099	16,093	466.1%
Net Assets, Restated	<u>4,835,354</u>	<u>4,534,678</u>	6.6%
Net Assets, June 30	<u>\$ 4,829,047</u>	<u>4,744,255</u>	1.8%

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

- Program revenues decreased from the previous fiscal year due primarily to a decrease in operating grants and contributions, specifically a decrease in federal funds received under the Project Core Grant.
- General revenues increased from the previous fiscal year due primarily to an increase in property taxes and sixteenth section sources (other general revenue).
- Instruction expenses decreased from the previous fiscal year due primarily to a decrease in expenditures related to the Project Core Grant. A large majority of revenue related to this grant was received and expended in the previous fiscal year.
- Support services expenses increased from the previous fiscal year due primarily to an increase in property services related to the operation and maintenance of school facilities.

The following chart depicts the main components of the Statement of Activities for the years ended June 30, 2008 and 2007:



Governmental activities. The following table presents the cost of four major District functional activities: instruction, support services, non-instructional, sixteenth section and interest on long-term debt. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the contribution of the State and District's taxpayers by each of these functions.

	2008	2007	2008 Net (Expense) Revenue	2007 Net (Expense) Revenue
	Expenses	Expenses	Revenue	Revenue
Instruction	\$ 6,423,063	7,018,382	(5,108,327)	(5,388,801)
Support Services	5,276,215	4,583,619	(4,375,581)	(3,665,965)

Non-Instructional	861,090	708,149	(87,291)	114,108
Sixteenth section	14,863	32,903	241,918	(23,513)
Interest on Long-Term Liabilities	<u>138,035</u>	<u>139,060</u>	<u>(138,035)</u>	<u>(139,060)</u>
	\$ <u>12,713,266</u>	<u>12,482,113</u>	<u>(9,467,316)</u>	<u>(9,103,231)</u>

The net cost of governmental activities for fiscal year 2008 in the amount of (\$9,467,316) was financed by general revenue made up primarily of property taxes totaling \$1,909,230 and state revenue of \$7,166,890.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$4,377,188, an increase of \$63,454. \$3,615,920 or 83% of the fund balance constitutes unreserved and undesignated fund balance. Although fund balances for activity funds, grant/project funds, capital project funds and debt service funds are classified as unreserved funds on the governmental funds Balance Sheet, these funds are not all available for spending at the district's discretion. Federal project and other grant funds received must be used to meet specific objectives as set forth in the grant application. The remaining fund balance of \$761,268 or 17% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$448,148 due primarily to an increase in property services related to the operation and maintenance of school facilities and expenditures incurred during the fiscal year for the construction of the Athletic Complex at the high school. The net change in fund balance for the Sixteenth Section Interest Fund for the fiscal year was an increase of \$373,977 due to revenue generated during the fiscal year primarily from the sale of timber, lease revenue and earnings on investments. The net change in fund balance for the Other Governmental Funds for the fiscal year was an increase of \$137,625 due to the excess of revenues and other financing sources over expenditures and other financing uses in various funds.

BUDGETARY HIGHLIGHTS

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

- Budgeted amounts for revenue from local and state sources in the General Fund were decreased to more accurately reflect actual local and state sources received during the fiscal year. The amounts originally budgeted were overstated.
- Budgeted amounts for instruction expenditures in the General Fund were decreased to reflect actual expenditures incurred during the fiscal year. The amounts originally budgeted were overstated.
- Budgeted amounts for support services expenditures in the General Fund were increased to reflect an increase in operation and maintenance expenditures.
- The budget for the General Fund was revised to reflect proceeds of loans related to a shortfall note payable acquired during the fiscal year and insurance loss recoveries.
- Budgeted amounts for transfers into the General Fund were decreased. The original budget included transfers from the 16th Section Interest Fund but the transfers were not made during the fiscal year.
- Budgeted amounts for transfers out of the 16th Section Interest Fund were decreased. The original budget included transfers to the General Fund but the transfers were not made during the fiscal year.
- The budget was revised to reflect federal sources received and expenditures incurred related to the Reach Grant. The revenues and expenditures for this grant were not included in the original budget.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2008, the District's total capital assets were \$7,028,508, including land, school buildings, buses, other school vehicles, furniture and equipment, and leased property under capital leases. This amount represents an increase of \$139,063 from the previous year. Total accumulated depreciation as of June 30, 2008 was \$3,716,843 and total depreciation expense for the year was \$192,096, resulting in total net capital assets of \$3,311,665.

	Capital Assets, Net of Depreciation		Percentage
	2008	2007	Change
Land	\$ 19,828	19,828	0.0%
Construction in progress	110,713		100.0%
Buildings	1,691,479	1,721,308	-1.7%
Building improvements	605,078	633,891	-4.5%
Improvements other than buildings	96,287	100,280	-4.0%
Mobile equipment	501,600	459,993	9.0%
Furniture and equipment	34,541	50,617	31.8%

Leased property under capital leases	252,139	292,152	-13.7%
	\$ 3,311,665	3,278,069	1.0%

Additional information of the District's capital assets can be found in Note 4 on page 38 of this report.

Debt Administration. At June 30, 2008, the District had \$125,000 in general obligation bonds and \$2,689,169 in other long-term debt outstanding, of which \$406,265 is due within one year. During the fiscal year, the District made principal payments in the amount of \$345,692 on existing long-term debt.

	Outstanding Debt		Percentage
	2008	2007	Change
General obligation bonds payable	\$ 125,000	180,000	-30.6%
Three mill ten-year notes payable	0	78,000	-100.0%
Limited obligation bonds payable	1,990,000	2,145,000	-7.2%
Shortfall notes payable	407,000	0	-100.0%
Obligations under capital leases	174,407	232,099	-24.9%
Compensated absences payable	117,762	82,710	42.4%
	\$ 2,814,169	2,717,809	3.5%

Additional information of the District's long-term debt can be found in Note 5 on page 39 of this report.

CURRENT ISSUES

The Jefferson County School District is financially stable. The District is proud of its community support of the public schools. The District has committed itself to financial excellence for many years. The District has not increased or decreased the millage rate significantly over the past several years. The District's system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

JEFFERSON COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	<u>Governmental Activities</u>
ASSETS	
Assets:	
<i>Cash and other deposits</i>	\$ 3,874,730
<i>Investments</i>	40,507
<i>Due from other governments</i>	303,684
<i>Inventories</i>	22,440
<i>Restricted Assets</i>	188,626
<i>Capital Assets, non-depreciable:</i>	
<i>Land</i>	19,828
<i>Construction in progress</i>	110,713
<i>Capital Assets, net of accumulated depreciation:</i>	
<i>Buildings</i>	1,691,479
<i>Building improvements</i>	605,078
<i>Improvements other than buildings</i>	96,287
<i>Mobile equipment</i>	501,600
<i>Furniture and equipment</i>	34,541
<i>Leased property under capital leases</i>	252,139
Total Assets	7,741,652
Liabilities	
<i>Accounts payable and accrued liabilities</i>	2,000
<i>Due to other governments</i>	6,848
<i>Unearned revenue</i>	43,951
<i>Interest payable on long-term liabilities</i>	45,637
Long-term liabilities (due within one year):	
<i>Capital related liabilities</i>	326,265
<i>Non-capital related liabilities</i>	80,000
Long-term liabilities (due beyond one year)	
<i>Capital related liabilities</i>	1,375,142
<i>Non-capital related liabilities</i>	1,032,762
Total Liabilities	2,912,605
NET ASSETS	
<i>Invested in Capital Assets, Net of Related Debt</i>	1,610,258
<i>Restricted Net Assets:</i>	
<i>Expendable</i>	
<i>School Based Activities</i>	1,713,039
<i>Debt Service</i>	332,930
<i>Capital Improvements</i>	63,490
<i>Forestry Improvements</i>	94,260
<i>Unemployment Benefits</i>	31,293
<i>Sixteenth Section</i>	20,070
<i>Non-expendable</i>	
<i>Sixteenth Section</i>	188,626
<i>Unrestricted</i>	775,081
Total Net Assets	4,829,047

The accompanying notes are an integral part of this statement.

JEFFERSON COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
Primary government					
Governmental Activities:					
<i>Instruction</i>	6,423,063	162,541	1,105,846	46,349	(5,108,327)
<i>Support services</i>	5,276,215	--	900,634	--	(4,375,581)
<i>Noninstructional services</i>	861,090	17,807	755,992	--	(87,291)
<i>Sixteenth section</i>	14,863	256,781	--	--	241,918
<i>Interest on long-term liabilities</i>	138,035	--	--	--	(138,035)
Total Primary Government	<u>\$ 12,713,266</u>	<u>\$ 437,129</u>	<u>\$ 2,762,472</u>	<u>\$ 46,349</u>	<u>(9,467,316)</u>
General Revenues:					
Taxes:					
<i>General purpose levies</i>					1,690,668
<i>Debt purpose levies</i>					218,562
Unrestricted grants and contributions:					
<i>State</i>					7,166,890
<i>Federal</i>					143,329
<i>Unrestricted investment earnings</i>					58,087
<i>Sixteenth section sources</i>					152,346
<i>Other</i>					31,127
Total general revenues					<u>9,461,009</u>
Change in Net Assets					(6,307)
Net Assets - Beginning					4,744,255
Prior Period Adjustment					91,099
Net Assets - Beginning (Restated)					<u>4,835,354</u>
Net Assets - Ending					<u>4,829,047</u>

The accompanying notes are an integral part of this statement.

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JEFFERSON COUNTY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2008

	General Fund	EHA Part B Fund	Title I Math Assessment
ASSETS			
<i>Cash and cash equivalents</i>	\$ 1,786,315	\$ --	\$ 7,978
<i>Investments</i>	--	--	--
<i>Due from other governments</i>	113,584	6,644	--
<i>Due from other funds</i>	35,467	--	--
<i>Inventories</i>	--	--	--
Total Assets	\$ 1,935,366	\$ 6,644	\$ 7,978
LIABILITIES AND FUND BALANCES			
Liabilities:			
<i>Accounts payable and accrued liabilities</i>	\$ --	\$ --	\$ --
<i>Due to other funds</i>	--	6,644	--
<i>Unearned revenue</i>	--	--	7,978
Total Liabilities	--	6,644	7,978
Fund balances:			
Reserved for:			
<i>Inventory</i>	--	--	--
<i>Unemployment</i>	--	--	--
<i>Forestry</i>	--	--	--
<i>Capital projects funds</i>	--	--	--
<i>Debt service funds</i>	--	--	--
<i>Permanent funds</i>	--	--	--
Unreserved, undesignated, reported in:			
<i>General fund</i>	1,935,366	--	--
<i>Special Revenue funds</i>	--	--	--
Total Fund Balances	1,935,366	--	--
Total Liabilities and Fund Balances	\$ 1,935,366	\$ 6,644	\$ 7,978

The accompanying notes are an integral part of this statement.

EXHIBIT C

Sixteenth Section Interest Fund	Reach Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,129,833	\$ 20,939	\$ 1,118,291	\$ 4,063,356
--	--	40,507	40,507
--	--	144,059	264,287
3,468	--	8,474	47,409
--	--	22,440	22,440
<u>\$ 1,133,301</u>	<u>\$ 20,939</u>	<u>\$ 1,333,771</u>	<u>\$ 4,457,999</u>
\$ 2,000	\$ --	\$ --	\$ 2,000
6,611	--	1,605	14,860
--	20,939	15,034	43,951
<u>8,611</u>	<u>20,939</u>	<u>16,639</u>	<u>60,811</u>
--	--	22,440	22,440
--	--	31,293	31,293
--	--	94,260	94,260
--	--	63,490	63,490
--	--	341,089	341,089
--	--	208,696	208,696
--	--	--	1,935,366
1,124,690	--	555,864	1,680,554
<u>1,124,690</u>	<u>--</u>	<u>1,317,132</u>	<u>4,377,188</u>
<u>\$ 1,133,301</u>	<u>\$ 20,939</u>	<u>\$ 1,333,771</u>	<u>\$ 4,457,999</u>

JEFFERSON COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total fund balances - governmental funds balance sheet	\$ 4,377,188
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	3,311,665
Liabilities due in one year are not recognized in the funds.	(406,265)
Payables for bond principal not due in the current period are not reported in the funds.	(1,895,000)
Payables for capital leases which are not due in the current period are not reported in the funds.	(114,142)
Payables for bond interest which are not due in the current period are not reported in the funds.	(45,637)
Payables for notes which are not due in the current period are not reported in the funds.	(281,000)
Payables for compensated absences not due in the current period are not reported in the funds.	<u>(117,762)</u>
Net assets of governmental activities - statement of net assets	<u>\$ 4,829,047</u>

The accompanying notes are an integral part of this statement.

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JEFFERSON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	General Fund	EHA Part B Fund	Title I Math Assessment
Revenue:			
<i>Local sources</i>	\$ 1,918,474	\$ --	\$ --
<i>State sources</i>	6,928,913	--	--
<i>Federal sources</i>	195,476	303,692	--
<i>Sixteenth section sources</i>	--	--	--
Total revenues	<u>9,042,863</u>	<u>303,692</u>	<u>--</u>
Expenditures:			
Instruction	4,918,136	140,828	--
Support services	4,010,626	162,864	--
Noninstructional services	--	--	--
Sixteenth section	2,700	--	--
Facilities acquisition and construction	110,713	--	--
Debt service:			
<i>Principal</i>	--	--	--
<i>Interest</i>	--	--	--
<i>Other</i>	780	--	--
Total expenditures	<u>9,042,955</u>	<u>303,692</u>	<u>--</u>
Excess (deficiency) of revenues (over) expenditures	(92)	--	--
Other financing sources (uses):			
Proceeds of loans	407,000	--	--
Insurance loss recoveries	2,877	--	--
Operating transfers in	--	--	--
Other financing sources	510	--	--
Operating transfers out	(858,443)	--	--
Total other financing sources (uses)	<u>(448,056)</u>	<u>--</u>	<u>--</u>
Net change in fund balance	(448,148)	--	--
Fund Balances:			
July 1, 2007	2,282,370	--	--
Prior period adjustments	101,144	--	--
July 1, 2007 as restated	2,383,514	--	--
Increase (decrease) in reserve for inventory	--	--	--
June 30, 2008	<u>\$ 1,935,366</u>	<u>\$ --</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

EXHIBIT D

Sixteenth Section Interest Fund	Reach Fund	Other Governmental Funds	Total Governmental Funds
\$ 13,015	\$ --	\$ 243,917	\$ 2,175,406
--	--	686,414	7,615,327
--	23,244	1,981,301	2,503,713
360,962	--	48,165	409,127
<u>373,977</u>	<u>23,244</u>	<u>2,959,797</u>	<u>12,703,573</u>
--	--	1,496,097	6,555,061
--	21,769	963,419	5,158,678
--	1,475	734,148	735,623
--	--	12,163	14,863
--	--	--	110,713
--	--	345,692	345,692
--	--	128,003	128,003
--	--	1,093	1,873
<u>--</u>	<u>23,244</u>	<u>3,680,615</u>	<u>13,050,506</u>
373,977	--	(720,818)	(346,933)
--	--	--	407,000
--	--	--	2,877
--	--	859,168	859,168
--	--	--	510
<u>--</u>	<u>--</u>	<u>(725)</u>	<u>(859,168)</u>
<u>--</u>	<u>--</u>	<u>858,443</u>	<u>410,387</u>
373,977	--	137,625	63,454
751,038	--	1,188,065	4,221,473
(325)	--	(9,720)	91,099
750,713	--	1,178,345	4,312,572
--	--	1,162	1,162
<u>\$ 1,124,690</u>	<u>\$ --</u>	<u>\$ 1,317,162</u>	<u>\$ 4,377,188</u>

JEFFERSON COUNTY SCHOOL DISTRICT

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

Net change in fund balances - total governmental funds	\$ 63,454
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	233,703
The depreciation of capital assets used in governmental activities is not reported in the funds.	(192,096)
The gain or loss on the sale of capital assets is not reported in the funds.	(8,011)
Repayment of bond principal is an expenditure in the funds but not an expense in the SOA.	210,000
Repayment of capital lease principal is an expenditure in the funds but not an expense in the SOA.	57,692
Repayment of note principal is an expenditure in the funds but is not an expense in the SOA.	78,000
(Increase) decrease in accrued interest from beginning of period to end of period	(8,159)
The decrease in inventory is an adjustment to fund balance in the funds but not in the SOA.	1,162
Compensated absences are reported as amount earned in SOA but as amount paid in the funds.	(35,052)
Proceeds of notes are not revenue in the SOA, but are reported as current resources in the funds.	(407,000)
Change in net assets of governmental activities - statement of activities	<u>\$ (6,307)</u>

The accompanying notes are an integral part of this statement.

JEFFERSON COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2008

	<u>Agency Funds</u>
ASSETS	
Assets:	
<i>Cash and other deposits</i>	\$ 621,362
<i>Due from other funds</i>	6,848
Total Assets	<u>\$ 628,210</u>
LIABILITIES	
Liabilities:	
<i>Accounts Payable & Accrued Liabilities</i>	\$ 571,874
<i>Due to student clubs</i>	16,939
<i>Due to other funds</i>	39,397
Total Liabilities	<u>\$ 628,210</u>

The accompanying notes are an integral part of this statement.

Jefferson County School District

Notes to the Financial Statements
June 30, 2008

Jefferson County School District

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

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

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

B. Basis of Presentation.

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

Government-wide Financial Statements

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

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

Fund Financial Statements:

Jefferson County School District

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

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

C. Measurement Focus and Basis of Accounting.

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

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

The school district reports the following major governmental funds:

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

EHA Part B Fund - This fund accounts for the funds to provide a free appropriate public education to all children with disabilities.

Title I - Math Assessment Fund - This fund accounts for the Title I federally-funded program offering remedial mathematics to eligible students under a school-wide structured program.

Sixteenth Section Interest Fund - This fund is used to account for the maintenance

Jefferson County School District

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

and improvement of sixteenth section lands.

Reach Fund - This federally-funded program accounts for instructor expenditures in reforming and improving the systems for personnel preparation and professional development of individuals providing early intervention, educational and transition services, to improve results for children with disabilities.

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

Additionally the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

D. Account Classifications.

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

E. Encumbrances.

Jefferson County School District

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

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

F. Cash and Cash Equivalents.

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

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

G. Investments.

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

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

Investments are reported at fair value.

H. Inventories and Prepaid Items.

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

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

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

I. Capital Assets.

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

Jefferson County School District

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

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

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital assets accounts) and estimated useful lives of capital assets are reported in the government-wide statements.

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

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

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

J. Long-term liabilities.

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

K. Interfund Transactions and Balances.

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

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

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect to the fund that statute or budget requires to expend them and to

Jefferson County School District

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

(b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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

L. Equity Classifications.

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

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

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

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

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

Reserved for forestry improvements - An account that represents a portion of the

Jefferson County School District

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

fund balance that is legally restricted for improving sixteenth section forest land.

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

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

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

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

M. Property Taxes.

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

N. Mississippi Adequate Education Program Revenues.

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

O. Compensated Absences.

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

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

Jefferson County School District

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

(2) Cash and Cash Equivalents and Investments.

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school districts' deposits in financial institutions is held in the name of the State 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 Funds), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Amounts less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$4,063,356 and \$621,362, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents - \$3,874,730 and restricted assets - \$188,626. The restricted assets of \$188,626 represent the cash balance of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$5,219,987.

Jefferson County School District

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

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2008, none of the district's bank balance of \$5,219,987 was exposed to custodial credit risk.

Investments.

As of June 30, 2008, the district had the following investments in Hancock Bank's Trust Department investment pool:

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>Rating</u>
Treasury Securities Money Market Fund	N/A	<u>\$40,507</u>	A

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2008, the district did not have any investments to which this would apply.

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

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Hancock Horizon Treasury Securities Money Market C1 A	<u>\$40,507</u>	100%

Jefferson County School District

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

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds

	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
General Fund	\$ 35,467	\$ 0
EHA Part B Fund	0	6,644
Sixteenth Section Interest	3,468	6,611
Other Governmental Funds	8,474	1,605
Fiduciary Funds	<u>6,848</u>	<u>39,397</u>
Total Funds	\$ 54,257	\$ 54,257

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

B. Transfers In/Out

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 0	\$ 858,443
Other Governmental Funds	<u>859,168</u>	<u>725</u>
Total Funds	\$ 859,168	\$ 859,168

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

(4) Capital Assets.

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

	Balance 7-01-2007	Additions	Retirements	Balance 6-30-2008
<u>Non-depreciable capital assets:</u>				
Land	\$ 19,828			19,828
Construction in progress	0	110,713		110,713
Total non-depreciable capital assets	<u>19,828</u>	<u>110,713</u>	0	<u>130,541</u>
<u>Depreciable capital assets:</u>				
Buildings	3,918,323			3,918,323
Building Improvements	720,330			720,330
Improvements other than buildings	161,986			161,986
Mobile equipment	1,170,401	122,990	78,500	1,214,891
Furniture and equipment	380,547		16,140	364,407
Leased property under capital leases	518,030			518,030
Total depreciable capital assets	<u>6,869,617</u>	<u>122,990</u>	<u>94,640</u>	<u>6,897,967</u>

Jefferson County School District

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

	Balance 7-01-2007	Additions	Retirements	Balance 6-30-2008
<u>Less accumulated depreciation for:</u>				
Buildings	2,197,015	29,829		2,226,844
Building Improvements	86,439	28,813		115,252
Improvements other than buildings	61,706	3,993		65,699
Mobile equipment	710,408	73,533	70,650	713,291
Furniture and equipment	329,930	15,915	15,979	329,866
Leased property under capital leases	225,878	40,013		265,891
Total accumulated depreciation	<u>3,611,376</u>	<u>192,096</u>	<u>86,629</u>	<u>3,716,843</u>
Total depreciable capital assets, net	<u>3,258,241</u>	<u>(69,106)</u>	<u>8,011</u>	<u>3,181,124</u>
Governmental activities capital assets, net	<u>\$ 3,278,069</u>	<u>41,607</u>	<u>8,011</u>	<u>3,311,665</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 58,642
Support Services	117,538
Non-instructional	<u>15,916</u>
Total depreciation expense	<u>\$192,096</u>

(5) Long-term liabilities.

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

	Balance 7-1-2007	Additions	Reductions	Balance 6-30-2008	Amounts due within one year
A. General obligation bonds	\$ 180,000		55,000	125,000	60,000
B. Three mill notes payable	78,000		78,000	0	0
C. Limited obligation bonds	2,145,000		155,000	1,990,000	160,000
D. Shortfall notes payable	0	407,000		407,000	126,000
E. Obligations under capital leases	232,099		57,692	174,407	60,265
F. Compensated absences payable	82,710	35,052		117,762	
Total	<u>\$ 2,717,809</u>	<u>442,052</u>	<u>345,692</u>	<u>2,814,169</u>	<u>406,265</u>

A. General Obligation Bonds.

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

Debt currently outstanding is as follows:

Jefferson County School District

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Is-sued</u>	<u>Amount Outstanding</u>
General Obligation Bonds	varies	02-01-90	02-01-10	<u>\$700,000</u>	<u>\$125,000</u>

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

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$	60,000	9,250	69,250
2010		65,000	4,810	69,810
Total	\$	<u>125,000</u>	<u>14,060</u>	<u>139,060</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2008, the amount of outstanding bonded indebtedness was equal to 0.24% of property assessments as of October 2007. This debt will be repaid out of the Debt Service Fund.

B. Three mill notes payable.

This debt was paid out during the fiscal year and retired from the Debt Service Fund.

C. Limited Obligation Bonds.

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

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Is-sued</u>	<u>Amount Outstanding</u>
State Aid Capital Improvement Bonds	4.3-6.0%	04-01-98	04-01-18	<u>\$3,060,000</u>	<u>\$1,990,000</u>

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

Jefferson County School District

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

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$	160,000	94,408	254,408
2010		170,000	87,208	257,208
2011		175,000	79,388	254,388
2012		185,000	71,388	256,388
2013		195,000	62,550	257,550
2014-2018		1,105,000	164,550	1,269,550
Total	\$	<u>1,990,000</u>	<u>559,492</u>	<u>2,549,492</u>

The State Aid Capital Improvement bonds are secured by an irrevocable pledge of certain revenues from the State of Mississippi pursuant to the Mississippi Accountability and the Adequate Education Act, Sections 37-151-1 through 37-151-107, Miss. Code Ann., (1972). This issue is not included in the computation of the debt limit percentage of outstanding bonded indebtedness. This debt will be retired from the MAEP Retirement Fund.

D. Shortfall notes payable.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Shortfall note payable	6.03%	10-18-07	10-18-10	<u>\$407,000</u>	<u>\$407,000</u>

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

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$	126,000	24,542	150,542
2010		136,000	16,944	152,944
2011		145,000	8,744	153,744
Total	\$	<u>407,000</u>	<u>50,230</u>	<u>457,230</u>

This debt will be retired from the District Maintenance Fund.

E. Obligations under capital leases.

Jefferson County School District has entered into two lease agreements that qualify as capital leases for accounting purposes. Title is held in the district's name during the lease period and upon payment of the lease obligation. Leased property under this lease is composed of school

Jefferson County School District

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

buses, vehicles, and lighting equipment. The various options available to the lessee for this lease are as follows:

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

This debt will be retired from the district maintenance fund.

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

Year Ending June 30	Principal	Interest	Total
2009	\$ 60,265	6,803	67,068
2010	38,692	4,115	42,807
2011	15,588	2,957	18,545
2012	16,239	2,306	18,545
2013	16,917	1,629	18,546
2014-2018	26,706	1,111	27,817
Total	\$ <u>174,407</u>	<u>18,921</u>	<u>193,328</u>

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

F. Compensated Absences.

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

(6) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered

Jefferson County School District

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

salary, and the school district is required to contribute at an actuarially determined rate. The rate for fiscal year ending June 30, 2008 was 11.85% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2008, 2007, and 2006 were \$818,557, \$786,792, and \$701,541, respectively, which equaled the required contributions for each year.

(7) Sixteenth Section Lands.

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use 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	\$ 124,184
2010	102,377
2011	39,177
2012	12,498
2013	222
2014 - 2018	1,110
2019 - 2023	1,110
2024 - 2028	1,110
2029 - 2033	1,110
Total	\$ <u>282,898</u>

(8) Risk Management.

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

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently

Jefferson County School District

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

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

(9) Prior period adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>
School district's net correction of account balances.	\$91,099

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

<u>Major Fund</u>	<u>Explanation(s)</u>	<u>Amount</u>
General Fund	See explanation above.	\$101,144
Sixteenth Section Interest Fund	See explanation above.	(325)
Other Governmental Funds	See explanation above.	<u>(9,720)</u>
Total		<u>\$91,099</u>

REQUIRED SUPPLEMENTARY INFORMATION

JEFFERSON COUNTY SCHOOL DISTRICT

Budgetary Comparison Schedule

Exhibit 1

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	\$ 2,165,417	1,918,473	1,918,474	(246,944)	1
State sources	7,040,483	6,928,913	6,928,913	(111,570)	-
Federal sources	162,930	195,476	195,476	32,546	-
Total Revenues	9,368,830	9,042,862	9,042,863	(325,968)	1
Expenditures:					
Instruction	5,187,886	4,918,135	4,918,136	269,751	(1)
Support services	3,706,865	4,010,627	4,010,626	(303,762)	1
Sixteenth section	500	2,700	2,700	(2,200)	-
Facilities acquisition and construction	212,000	110,713	110,713	101,287	-
Other		780	780	(780)	-
Total Expenditures	9,107,251	9,042,955	9,042,955	64,296	-
Excess (Deficiency) of Revenues Over Expenditures					
	261,579	(93)	(92)	(261,672)	1
Other Financing Sources (Uses):					
Insurance loss recoveries	-	2,877	2,877	2,877	-
Proceeds of loans	-	407,000	407,000	407,000	-
Operating transfers in	1,356,757	758,177		(598,580)	(758,177)
Operating transfers out	(1,639,927)	(1,616,620)	(858,443)	23,307	758,177
Other financing sources		510	510	510	-
Total Other Financing Sources (Uses)	(283,170)	(448,056)	(448,056)	(164,886)	-
Net Change in Fund Balances					
	(21,591)	(448,149)	(448,148)	(426,558)	1
Fund Balances:					
July 1, 2007			2,282,370	-	2,282,370
Prior period adjustments (Note 9)			101,144	-	101,144
July 1, 2007, as restated			2,383,514	-	2,383,514
June 30, 2008	\$ (21,591)	(448,149)	1,935,366	(426,558)	2,383,515

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

JEFFERSON COUNTY SCHOOL DISTRICT

Budgetary Comparison Schedule

Exhibit 2

EHA Part B 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:					
Federal sources	\$ 320,055	303,692	303,692	(16,363)	-
Total Revenues	320,055	303,692	303,692	(16,363)	-
Expenditures:					
Instruction	122,917	140,827	140,828	(17,910)	(1)
Support Services	197,138	162,865	162,864	34,273	1
Non-Instructional				-	-
Debt Service:					
Principal				-	-
Total Expenditures	320,055	303,692	303,692	16,363	-
Excess (Deficiency) of Revenues Over Expenditures	-	-	-	-	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2007	3,009		-		
Prior period adjustments (Note 9)				-	-
July 1, 2007, as restated	3,009	-	-	(3,009)	-
June 30, 2008	\$ 3,009	-	-	(3,009)	-

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

JEFFERSON COUNTY SCHOOL DISTRICT

Budgetary Comparison Schedule
 Title I Math Assessment Fund
 For the Year Ended June 30, 2008

Exhibit 3

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$			-	-
Total Revenues		-	-	-	-
Expenditures:					
Instruction				-	-
Total Expenditures		-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures		-	-	-	-
Net Change in Fund Balances		-	-	-	-
Fund Balances:					
July 1, 2007		-	-	-	-
Prior Period Adjustment				-	-
June 30, 2008	\$	-	-	-	-

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

JEFFERSON COUNTY SCHOOL DISTRICT

Budgetary Comparison Schedule
 Sixteenth Section Interest Funds
 For the Year Ended June 30, 2008

Exhibit 4

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local Sources	\$	13,014	13,015	13,014	1
Sixteenth section sources	344,500	364,644	360,962	20,144	(3,682)
Total Revenues	344,500	377,658	373,977	33,158	(3,681)
Excess (Deficiency) of Revenues Over Expenditures	344,500	377,658	373,977	33,158	(3,681)
Other Financing Sources (Uses):					
Operating transfers out	(476,228)	-	-	476,228	-
Total Other Financing Sources (Uses)	(476,228)	-	-	476,228	-
Net Change in Fund Balances	(131,728)	377,658	373,977	509,386	(3,681)
Fund Balances:					
July 1, 2007			751,038	-	751,038
Prior period adjustments (Note 9)			(325)	-	(325)
July 1, 2007, as restated	0	0	750,713	-	750,713
June 30, 2008	\$ (131,728)	377,658	1,124,690	509,386	747,032

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

JEFFERSON COUNTY SCHOOL DISTRICT

Budgetary Comparison Schedule

Exhibit 5

Reach 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:					
Federal sources	\$	23,244	23,244	23,244	-
Total Revenues		-	23,244	23,244	-
Expenditures:					
Support services		21,769	21,769	(21,769)	-
Non-instructional		1,475	1,475	(1,475)	-
Total Expenditures		-	23,244	(23,244)	-
 Excess (Deficiency) of Revenues Over Expenditures		-	-	-	-
 Net Change in Fund Balances		-	-	-	-
Fund Balances:					
July 1, 2007		-	-	-	-
June 30, 2008	\$	-	-	-	-

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

Jefferson County School District

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

Budgetary Comparison Schedules

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

SUPPLEMENTAL INFORMATION

Jefferson County School District
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2008

Schedule 1

FEDERAL GRANTOR PASS-THROUGH GRANTOR PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U. S. DEPARTMENT OF AGRICULTURE</u>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	213,275
National School Lunch Program	10.555	565,301
Total Child Nutrition cluster		<u>778,576</u>
Total passed-through the MDE		<u>778,576</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE		<u>778,576</u>
U. S. DEPARTMENT OF DEFENSE		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	52,147
TOTAL U.S. DEPARTMENT OF DEFENSE		<u>52,147</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company		
The schools and libraries program of the universal service fund	32.xxx	36,373
Total Federal Communication Commission		<u>36,373</u>
<u>U. S. DEPARTMENT OF EDUCATION/</u>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	956,653
Career and Technical Education - Basic Grants to States	84.048	27,407
Safe and Drug-Free Schools and Communities - State Grants	84.186	15,643
State Grants for Innovative Programs	84.298	3,891
Education Technology State Grants	84.318	22,768
Special Education - State Personnel Development	84.323	23,244
Reading First State Grants	84.357	20,827
Rural Education	84.358	14,081
Improving Teacher Quality-State Grants	84.367	126,017
Total		<u>1,210,531</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	310,299
Special Education - Preschool Grants	84.173	18,078
Total Special Education Cluster		<u>328,377</u>
Total passed-through the MDE		<u>1,538,908</u>
TOTAL U. S. DEPARTMENT OF EDUCATION		<u>1,538,908</u>
TOTAL FOR ALL FEDERAL AWARDS		<u>\$2,406,004</u>

Notes to Schedule

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

Jefferson County School District
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2008

Expenditures	Total	Instruction and Other Student Expenditures			
		Instructional	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 8,442,881	6,763,761	581,147	721,169	376,804
Other	4,607,625	984,312	252,535	1,805	3,368,973
Total	\$ 13,050,506	7,748,073	833,682	722,974	3,745,777
Total number of students *	1,440				
Cost per student	\$ 9,063	5,381	579	502	2,601

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

- Instruction and other Student Instructional Expenditures** - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type. (all the 1000, 2100 & 2200 functional codes)
- General Administration** - includes expenditures for the following functions: Support Services - General Administration (2300s); Support Services - Business (2500s)
- School Administration** - includes expenditures for the following functions: Support Services - School Administration (2400s)
- Other** - includes all expenditure functions not included in Instruction or Administration categories

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

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

OTHER SUPPLEMENTAL INFORMATION

JEFFERSON COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

General Fund

Last Four Years

	2008	2007*	2006*	2005*
Revenues:				
Local sources	\$ 1,918,474	1,905,068	1,987,708	1,847,210
State sources	6,928,913	6,961,488	6,722,182	6,678,179
Federal sources	195,476	153,422	170,710	162,525
Total Revenues	9,042,863	9,019,978	8,880,600	8,686,914
Expenditures:				
Instruction	4,918,136	4,818,622	4,452,801	4,731,935
Support services	4,010,626	3,556,551	3,153,283	2,807,356
Noninstructional services		1,612	84	
Sixteenth section	2,700			
Facilities acquisition and construction	110,713			26,592
Debt service:				
Other	780	1,105		
Total Expenditures	9,042,955	8,377,890	7,606,168	7,565,883
Excess (Deficiency) of Revenues over Expenditures	(92)	642,088	1,274,432	1,121,031
Other Financing Sources (Uses):				
Proceeds of loans	407,000			
Inception of capital leases				11,841
Insurance loss recoveries	2,877		3,015	
Operating transfers in			791,385	1,130,053
Other financing sources	510			
Operating transfers out	(858,443)	(866,072)	(1,613,097)	(1,707,210)
Other financing uses		(51,195)	(811)	(1,290)
Total Other Financing Sources (Uses)	(448,056)	(917,267)	(819,508)	(566,606)
Net Change in Fund Balances	(448,148)	(275,179)	454,924	554,425
Fund Balances:				
July 1,	2,282,370	2,534,034	2,079,110	1,538,716
Prior period adjustments	101,144	23,515		(14,031)
July 1, as restated	2,383,514	2,557,549	2,079,110	1,524,685
June 30,	\$ 1,935,366	2,282,370	2,534,034	2,079,110

*SOURCE - PRIOR YEAR AUDIT REPORTS

JEFFERSON COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

All Governmental Funds

Last Four Years

	2008	2007*	2006*	2005*
Revenues:				
Local sources	\$ 2,175,406	2,048,488	2,089,822	1,974,743
State sources	7,615,327	7,645,199	7,376,887	7,308,344
Federal sources	2,503,713	2,812,388	3,349,940	2,747,243
Sixteenth section sources	409,127	159,476	145,020	331,180
Total Revenues	<u>12,703,573</u>	<u>12,665,551</u>	<u>12,961,669</u>	<u>12,361,510</u>
Expenditures:				
Instruction	6,555,061	6,896,692	6,994,213	6,467,140
Support services	5,158,678	4,589,233	4,361,007	3,785,693
Noninstructional services	735,623	694,661	781,472	957,832
Sixteenth section	14,863	32,903	25,070	33,177
Facilities acquisition and construction	110,713	13,583		458,560
Debt service:				
Principal	345,692	334,623	324,902	299,033
Interest	128,003	144,739	157,524	175,728
Other	1,873	1,710		
Total Expenditures	<u>13,050,506</u>	<u>12,708,144</u>	<u>12,644,188</u>	<u>12,177,163</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(346,933)</u>	<u>(42,593)</u>	<u>317,481</u>	<u>184,347</u>
Other Financing Sources (Uses)				
Proceeds of loans	407,000			
Inception of capital leases				150,000
Insurance loss recoveries	2,877		3,015	
Operating transfers in	859,168	866,072	1,621,881	2,299,194
Other financing sources	510			
Operating transfers out	(859,168)	(866,072)	(1,621,881)	(2,299,194)
Other financing uses		(51,195)	(811)	(1,921)
Total Other Financing Sources (Uses)	<u>410,387</u>	<u>(51,195)</u>	<u>2,204</u>	<u>148,079</u>
Net Change in Fund Balances	<u>63,454</u>	<u>(93,788)</u>	<u>319,685</u>	<u>332,426</u>
Fund Balances:				
July 1,	4,221,473	4,295,061	3,983,426	3,659,838
Prior period adjustments	91,099	16,093		(14,031)
July 1, as restated	<u>4,312,572</u>	<u>4,311,154</u>	<u>3,983,426</u>	<u>3,645,807</u>
Increase (Decrease) in reserve for inventory	<u>1,162</u>	<u>4,107</u>	<u>(10,581)</u>	<u>5,193</u>
June 30,	<u>\$ 4,377,188</u>	<u>4,221,473</u>	<u>4,292,530</u>	<u>3,983,426</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

INTERNAL CONTROL AND COMPLIANCE REPORTS

FORTENBERRY & BALLARD, PC

Certified Public Accountants

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

Superintendent and School Board
Jefferson County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Jefferson County School District as of and for the year ended June 30, 2008, which collectively comprise the Jefferson County School District's basic financial statements and have issued my report thereon dated November 17, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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 material misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, process, record, 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2008-1 to be a significant deficiency in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in

the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance or other matters that we have reported to management of the school district in a separate letter dated November 17, 2008, which is included in this report.

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
November 17, 2008

Certified Public Accountants

FORTENBERRY & BALLARD, PC

Certified Public Accountants

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

Superintendent and School Board
Jefferson County School District

Compliance

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

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

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

Internal Control Over Compliance

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

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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 a 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 control 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.

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
November 17, 2008

Certified Public Accountants

FORTENBERRY & BALLARD, PC

Certified Public Accountants

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

Superintendent and School Board
Jefferson County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Jefferson County School District as of and for the year ended June 30, 2008, which collectively comprise Jefferson County School District's basic financial statements and have issued my report thereon dated November 17, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(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(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds". As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed the following instance of noncompliance. The noncompliance is reported in finding number 1 below. The district reported \$27,029 of classroom supply funds carried over from previous years.

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

The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

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

The results of those procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with state laws and regulations. Our finding and recommendation and your response is as follows:

1. Finding

Section 37-61-33, Miss. Code Ann. (1972), requires that Mississippi Public School Districts allocate

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Education Enhancement Funds (EEF) for classroom supplies equally among all classroom teachers in the school district. Section 37-61-33, Miss. Code Ann. (1972), further defines "teacher" for this statute and specifically excludes all federally-funded teachers from being included in the allocation process. Jefferson County School District allocated classroom supplies to two (2) teachers that were federally funded classroom teachers. Section 37-61-33 (3) (a)(iii), Miss. Code Ann. (1972), requires that any funds allocated which are not reserved in an approved spending plan but remain unspent on March 31 of the fiscal year in which the funds were allotted must be utilized by the school where the teacher is employed for instructional supplies and equipment purposes. Jefferson County School District carried over these funds without having an approved spending plan.

Recommendation:

The District should comply with Section 37-61-33 (3)(a)(iii), Miss. Code Ann. (1972), which requires the district to allocate Education Enhancement Funds (EEF) classroom supply funds equally among all classroom teachers but to preclude allocation to federally-funded teachers and precludes the carrying over of the money without an approved spending plan.

Response:

The District will comply with Section 37-61-33, Miss. Code Ann. (1972).

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

The Jefferson County School District's response to the finding included in this report was not audited and, accordingly, we express no opinion on it.

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
November 17, 2008

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Jefferson County School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs: Unqualified.
5. Internal control over major programs:
 - a. Material weaknesses identified? No.
 - b. Significant deficiencies identified that are not considered to be material weaknesses? No.
6. Any audit findings reported as required by Section __.510(a) of OMB Circular A-133? No.
7. Federal programs identified as major programs:
 - a. Child Nutrition Cluster:
CFDA# 10.553
CFDA# 10.555
 - b. Title I Grants to Local Educational Agencies.
CFDA# 84.010
 - c. Special Education Cluster:
CFDA# 84.027
CFDA# 84.173
8. The dollar threshold used to distinguish between Type A and Type B programs was: \$300,000.
9. Auditee qualified as a low-risk auditee? Yes.

10. Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? No.

Section 2: Financial Statement Findings

The results of our tests disclosed the following findings related to the financial statements that is required to be reported by *Government Auditing Standards*.

Significant deficiency:

Capital Assets Tested Not Found

Finding 2008-1

The District is responsible for ensuring that financial statement information from its centralized accounting records is free of material misstatements. During the course of the audit, two (2) capital asset items were identified in the school's premises but not found in the district's books or list of capital assets. Failure to include capital assets in the district records can result in misstatements of the financial statements.

Recommendation

An annual inventory should be performed and reconciled back to the accounting records. Each item of capital asset acquired should be evaluated to see if it meets the capitalization criteria. The district must ensure that capital assets are included in the district records once they have been purchased or acquired.

School District's Response

The District is working on this to ensure that capital assets are properly recorded in the accounting records and presented in the financial statements in the future.

Section 3: Federal Award Findings and Questioned Costs

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

AUDITEE'S CORRECTIVE ACTION PLAN

Jefferson County School District
P.O. Box 157
Fayette, MS 39069
601-786-3721, Fax 601-786-8441
John Dickey - Superintendent
Cassondry Tenner - Business Manager

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section __.315(b) of OMB Circular A-133, the Jefferson County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Cost for the year ended June 30, 2008:

2008-1 Finding:

Corrective Action Plan Details

- a. Name of Contact Person Responsible for Corrective Action:
John Dickey, Superintendent
Phone Number: 601-786-3721
- b. Corrective Action Planned: The school district is working on this to ensure that capital assets are properly recorded in the accounting records and presented in the financial statements in the future.
- c. Anticipated Completion Date: June 30, 2009

