

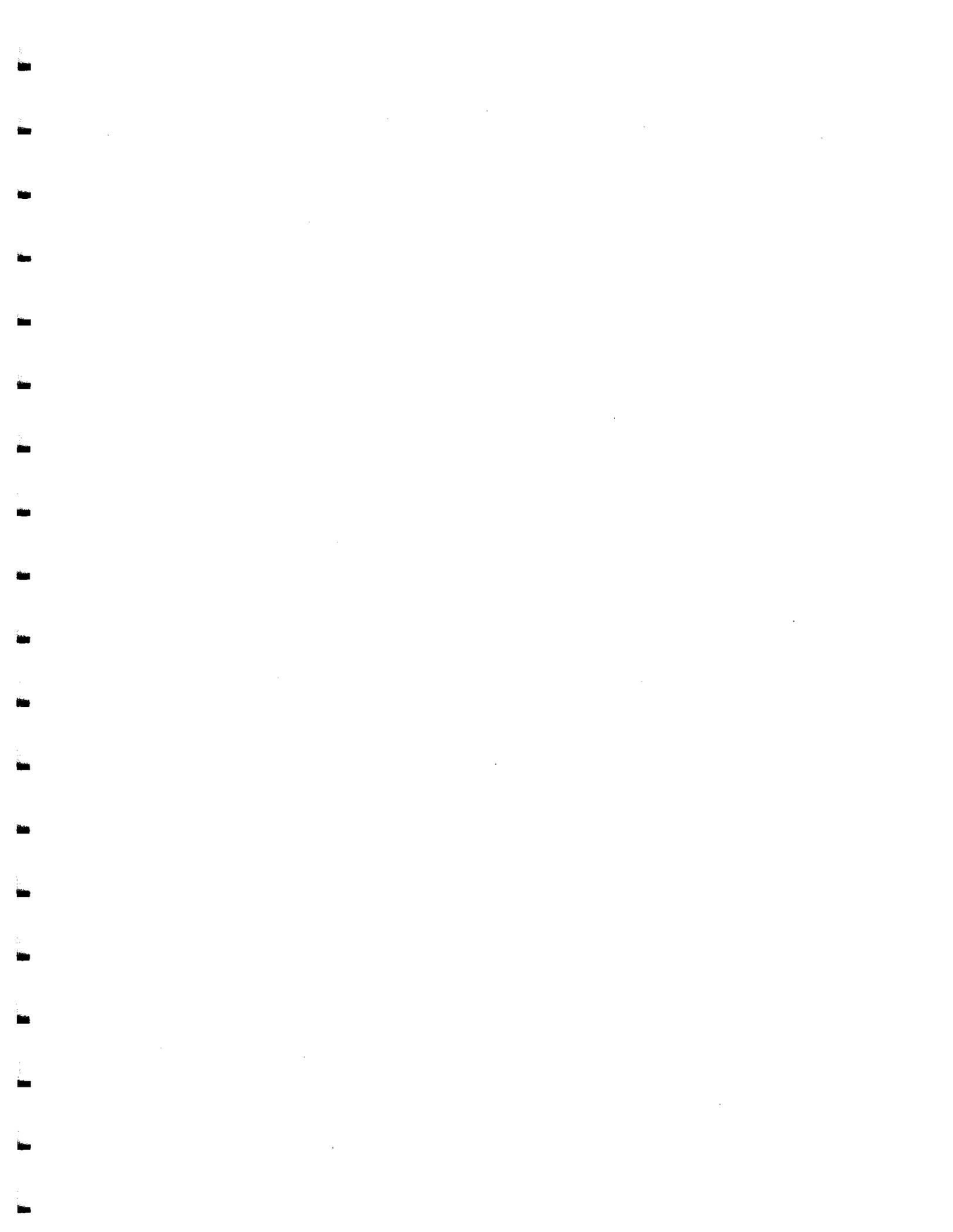


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**NATCHEZ-ADAMS SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**



SILAS SIMMONS LLP
CERTIFIED PUBLIC ACCOUNTANTS *and* ADVISORS



NATCHEZ-ADAMS SCHOOL DISTRICT

Annual Financial Statements
As of and for the Year Ended June 30, 2008

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NATCHEZ-ADAMS SCHOOL DISTRICT

Annual Financial Statements
As of and for the Year Ended June 30, 2008

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NATCHEZ-ADAMS SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

NATCHEZ-ADAMS SCHOOL DISTRICT

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

Superintendent and School Board
Natchez-Adams School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Natchez-Adams School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Natchez-Adams 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Natchez-Adams School District as of June 30, 2008, and the respective changes in financial position and cash flows where applicable, thereof and 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 December 5, 2008, on our consideration of the Natchez-Adams School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Management's Discussion and Analysis and the Required Supplemental Information, as listed in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Natchez-Adams School District's basic financial statements. The accompanying Other Supplemental Information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Natchez-Adams School District. The Schedule of Expenditures of Federal Awards is presented as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is also not a required part of the basic financial statements of the Natchez-Adams School District. 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.

Silas Simmons, LLP

Natchez, Mississippi
December 5, 2008

NATCHEZ-ADAMS SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

NATCHEZ-ADAMS SCHOOL DISTRICT

"No Child Left Behind"

10 Homochitto Street · P.O. Box 1188
 Natchez, Mississippi 39120
 Telephone: 601-442-0212
 natchez.k12.ms.us

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

The discussion and analysis of Natchez-Adams 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.

This discussion and analysis is Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued June 1999. Certain comparative information between the current year and the prior year is required to be presented.

The district is an accredited district and is comprised of eight schools serving pre-kindergarten through twelfth grade, including a vocational school and an alternative school. The 2008 school year began with a student enrollment of 4,123 and ended with an enrollment of 4,063 students.

FINANCIAL HIGHLIGHTS

- Total net assets increased \$499,747, which represents a 1.46% increase from fiscal year 2007.
- The District had \$38,934,072 in expenses; \$9,271,811, or 24%, of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$30,162,008 were adequate to provide for these programs.
- Among major funds, the General Fund had \$28,381,554 in revenues and \$27,858,095 in expenditures. The General Fund's fund balance decreased by \$619,475. This was primarily due to a declining student enrollment, which resulted in a small increase in state revenues offset by large increases in expenses.
- Capital assets, net of accumulated depreciation, decreased by \$264,364.
- The District reduced its outstanding long-term debt by \$699,796, or 6.8%.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the School 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 School 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 School District is improving or deteriorating.

The *Statement of Activities* presents information showing how the School 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 School District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the School District include instruction, support services, non-instructional, sixteenth section and interest on long-term liabilities.

The government-wide financial statements can be found on pages 11-12 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 School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School 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 School 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 School District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 14 and 16, respectively, of this report.

OVERVIEW OF FINANCIAL STATEMENTS (continued)

Fund financial statements. (continued)

The School 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 13-16 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the School 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 *Statement of Fiduciary Assets and Liabilities* on page 17.

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 18-32 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 School District's budget process.

The School 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 33-35 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and a schedule of instructional, administrative and other expenditures for governmental funds can be found on pages 36-37, respectively, 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 School District, assets exceeded liabilities by \$34,614,675 as of June 30, 2008.

The largest single portion of the School District's net assets is the restricted assets of Sixteenth Section Principal. These assets comprise 50%, or \$17,290,683, of the School District's net assets. Only the interest derived from these funds is expendable. The Board of Education has the authority to borrow these funds at a rate of four percent (4%) per annum and for a term not exceeding twenty (20) years. Twenty percent (20%), \$6,812,609, of the School District's net assets reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The School District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

The School 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Net assets. (continued)

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

Net Assets

	June 30, 2008	June 30, 2007	Dollar Change	Percentage Change
Current assets	\$ 30,738,827	\$ 30,599,957	\$ 138,870	0.45%
Capital assets, net	16,112,610	16,376,974	(264,364)	-1.61%
Total assets	<u>\$ 46,851,437</u>	<u>\$ 46,976,931</u>	<u>\$ (125,494)</u>	<u>-0.27%</u>
Current liabilities	\$ 3,403,985	\$ 3,294,431	\$ 109,554	3.33%
Long-term liabilities	8,832,777	9,567,572	(734,795)	-7.68%
Total liabilities	<u>\$ 12,236,762</u>	<u>\$ 12,862,003</u>	<u>\$ (625,241)</u>	<u>-4.86%</u>
Net assets:				
Invested in capital assets, net of related debt	\$ 6,812,609	\$ 6,104,401	\$ 708,208	11.60%
Restricted	18,438,743	18,140,700	298,043	1.64%
Unrestricted	9,363,323	9,869,827	(506,504)	-5.13%
Total net assets	<u>\$ 34,614,675</u>	<u>\$ 34,114,928</u>	<u>\$ 499,747</u>	<u>1.46%</u>

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

- The principal retirement of \$699,796 of long-term debt.
- The addition of \$322,870 in capital assets, and the retirement of \$104,275 in capital assets.
- Annual depreciation expense on capital assets of \$582,144.

Changes in net assets. The School District's total revenues for the fiscal year ended June 30, 2008 were \$39,433,819. The total cost of all programs and services was \$38,934,072. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2008 and 2007.

Change in Net Assets

	June 30, 2008	June 30, 2007	Dollar Change	Percentage Change
Revenues				
Program revenues:				
Charges for services	\$ 400,155	\$ 366,490	\$ 33,665	9.19%
Operating grants and contributions	8,871,656	8,537,344	334,312	3.92%
General Revenues:				
Property taxes	9,307,579	9,140,669	166,910	1.83%
Grants and contributions not restricted	19,257,870	18,852,448	405,422	2.15%
Other	1,596,559	2,137,363	(540,804)	-25.30%
Total revenues	<u>\$ 39,433,819</u>	<u>\$ 39,034,314</u>	<u>\$ 399,505</u>	<u>1.02%</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Change in Net Assets (continued)

	June 30, 2008	June 30, 2007	Dollar Change	Percentage Change
Expenses				
Instruction	\$ 21,740,852	\$ 21,240,275	\$ 500,577	2.36%
Support services	14,374,592	12,903,827	1,470,765	11.40%
Noninstructional services	2,346,248	2,208,098	138,150	6.26%
Sixteenth Section	12,021	20,967	(8,946)	-42.67%
Interest and other expenses on long-term debt	460,359	502,744	(42,385)	-8.43%
Total expenses	<u>\$ 38,934,072</u>	<u>\$ 36,875,911</u>	<u>\$ 2,058,161</u>	<u>5.58%</u>
Increase in net assets	<u>\$ 499,747</u>	<u>\$ 2,158,403</u>	<u>\$ (1,658,656)</u>	<u>-76.85%</u>

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

- Expenses increased by 5.6% from 2007, while revenues increased by only 1%.
- Earnings on investments decreased by twenty-three percent (23%), or \$334,152, in the general revenues.
- There were no timber sales in 2007 which accounts for a \$216,204 decrease in Sixteenth Section revenues.

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

Net Cost of Governmental Activities.

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2008	2007		2008	2007	
Expenditures:						
Instruction	\$21,740,852	\$21,240,275	2.36%	\$17,354,837	\$16,516,949	5.07%
Support services	14,374,592	12,903,827	11.40%	11,969,590	9,014,894	32.78%
Noninstructional	2,346,248	2,208,098	6.26%	(134,546)	1,916,523	-107.02%
Sixteenth Section	12,021	20,967	-42.67%	12,021	20,967	-42.67%
Interest on long- term liabilities	460,359	502,744	-8.43%	460,359	502,744	-8.43%
	<u>\$38,934,072</u>	<u>\$36,875,911</u>	<u>5.58%</u>	<u>\$29,662,261</u>	<u>\$27,972,077</u>	<u>6.04%</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)

Net Cost of Governmental Activities. (continued)

The total cost of basic programs rose 5.58% to \$38,934,072. Because the portion of those costs paid for with charges, fees, grants, and contributions did not increase as much, the *net* cost that required taxpayer funding grew 6.04% to \$29,662,261. General revenues, which is made up of primarily property taxes (\$9,307,504), state revenue, (\$18,508,223), and unrestricted investment earnings (\$1,118,124) more than financed the net cost of governmental activities (\$29,662,261).

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the School District as a whole is reflected in its governmental funds. As the School District completed the year, its governmental funds reported a combined fund balance of \$28,274,488, an increase of \$45,594 due primarily to conservative spending by the District, although there was a decreased level of revenue from the state due to declining enrollment, and declining investment rates. \$9,960,103 or 35% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the School District's discretion. The remaining fund balance of \$18,314,385 or 65% is reserved or designated to indicate that it is not available for spending because it has already been committed or legally restricted.

A list of these reserves follows:

	<u>Amount</u>
Reserved for advances	\$ 172,443
Reserved for inventory	149,850
Reserved for unemployment benefits	90,194
Reserved for forestry improvements	31,315
Reserved for capital projects	380
Reserved for debt service	579,520
Reserved for permanent funds	<u>17,290,683</u>
Total reserves	<u>\$ 18,314,385</u>

The General Fund is the principal operating fund of the School District. The decrease in fund balance in the General Fund for the fiscal year was \$619,475, a consequence of increased expenditures and a declining enrollment, which resulted in decreased revenues from the state. The fund balance of Sixteenth Section Interest Fund showed an increase of \$511,706 due to income from leases and investment interest. Sixteenth Section Principal Fund showed an increase from the receipts of oil and gas royalties. Other Governmental Funds showed a decrease in fund balance due to the spending of residual fund balances and School Food Service operating at a loss.

BUDGETARY HIGHLIGHTS

Over the course of the year, the School District revised the annual operating budget.

General Fund:

Original budgeted state revenues in the General Fund were over estimated concerning state revenues. A transfer from Sixteenth Section Interest Fund was originally budgeted to offset increased expenses. The ultimate determination of this transfer has not been finalized by the Board of Trustees. Salaries and associated benefits, and utilities costs were over estimated in the original budget.

Sixteenth Section Interest Fund:

Budgeted revenues exceeded actual amounts in this fund in interest earnings. A transfer to General Funds was originally budgeted. The funds were not transferred in 2008.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2008, the School District had invested \$27,638,955 in capital assets, including land school buildings, school vehicles, furniture and equipment. This amount represents an increase of \$218,595, prior to depreciation, from the previous year. Total accumulated depreciation as of June 30, 2008, was \$11,526,345 and total depreciation expense for the year was \$582,144, resulting in total net assets of \$16,112,610. Net capital assets decreased from the previous year by \$264,363. The following table presents net capital assets for fiscal years ended June 30, 2008 and 2007.

Net Capital Assets

	2008	2007	Change
Land	\$ 2,054,130	\$ 2,054,130	\$ -
Buildings	10,604,082	10,795,886	(191,804)
Building improvements	3,129,669	3,326,262	(196,593)
Other improvements	19,634	20,725	(1,091)
Mobile equipment	66,323	51,905	14,418
Furniture and equipment	238,772	128,065	110,707
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 16,112,610</u>	<u>\$ 16,376,973</u>	<u>\$ (264,363)</u>

Additional information of the School District's capital assets can be found in Note 4 on page 27 of this report.

Debt Administration. At June 30, 2008, the School District had \$9,300,000 in limited obligation bonds and other long-term debt outstanding, plus an additional estimated \$272,776 in compensated absences payable. Of this amount, \$740,000 is due within one year.

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)**Outstanding Long-Term Debt**

	2008	2007	Change
Limited obligation bonds payable	\$ 5,415,000	\$ 5,805,000	-6.72%
Certificates of participation payable	3,885,000	4,180,000	-7.06%
Compensated absences payable	272,776	287,572	-5.15%
Total	\$ 9,572,776	\$ 10,272,572	-6.81%

The District maintains an AA- bond rating.

Additional information of the School District's long-term debt can be found in Note 5 on pages 28 and 29 of this report.

CURRENT ISSUES

The School District is funded mainly by state aid (MAEP) and local taxes.

MAEP is calculated using student average daily attendance (ADA). Since 1999, the School District's ADA has fallen by an average of 100 students each year. Although there was a temporary influx of displaced students in 2006 due to Hurricanes Katrina and Rita, these students, for the most part, have left and the enrollment decline has resumed. This has had a negative impact on the School District's financial picture.

In 2005, the assessed valuations in Adams County decreased by over \$19 million, due in large part to the closings of major industries. Since that time assessments have gradually increased by approximately \$16.5 million. However, student enrollment has not made the same progress.

The School District has committed itself to financial excellence for many years and to the community it serves. It plans to continue its sound fiscal management to meet the challenges of the future by using fund balances, maximizing other revenue sources, and reducing staffing and operating costs wherever possible.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Natchez-Adams School District, 10 Homochitto Street, Natchez, Mississippi, 39120.

NATCHEZ-ADAMS SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 4,769,378
Cash with fiscal agents	249,345
Investments	5,207,000
Due from other governments	2,114,211
Interest receivable	33,686
Lease receivable	19,666
Other receivables, net	253,439
Inventories	149,848
Restricted assets	17,942,254
Capital assets, not being depreciated:	
Land	2,054,130
Capital assets, net of accumulated depreciation:	
Buildings	10,604,082
Building improvements	3,129,669
Improvements other than buildings	19,634
Mobile equipment	66,323
Furniture and equipment	238,772
	<u>46,851,437</u>
Liabilities	
Accounts payable and accrued liabilities	2,452,760
Deferred revenue	11,580
Interest payable on long-term liabilities	199,646
Long-term liabilities, due within one year:	
Capital related liabilities	720,000
Noncapital related liabilities	20,000
Long-term liabilities, due beyond one year:	
Capital related liabilities	8,580,000
Noncapital related liabilities	252,776
	<u>12,236,762</u>
Net Assets	
Invested in capital assets, net of related debt	6,812,609
Restricted net assets:	
Expendable:	
School-based activities	646,296
Capital projects	380
Debt service	379,874
Forestry improvements	31,316
Unemployment benefits	90,194
Nonexpendable:	
Sixteenth Section	17,290,683
Unrestricted	9,363,323
	<u>\$ 34,614,675</u>

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

**NATCHEZ-ADAMS SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 21,740,852	\$ 216,398	\$ 4,169,617	\$ -	\$ (17,354,837)
Support services	14,374,592	-	2,405,002	-	(11,969,590)
Noninstructional services	2,346,248	183,757	2,297,037	-	134,546
Sixteenth Section	12,021	-	-	-	(12,021)
Interest and other expenses on long- term liabilities	460,359	-	-	-	(460,359)
Total governmental activities	\$ 38,934,072	\$ 400,155	\$ 8,871,656	\$ -	\$ (29,662,261)
General Revenues:					
Taxes:					
General purpose levies				\$ 9,307,505	
Debt purpose levies				74	
Unrestricted grants and contributions:					
State				18,508,223	
Federal				618,299	
Other				131,348	
Unrestricted investment earnings				1,118,124	
Sixteenth Section sources				398,349	
Other				80,086	
Total general revenues				\$ 30,162,008	
Change in net assets				\$ 499,747	
Net assets - beginning				\$ 34,114,928	
Net assets - ending				\$ 34,614,675	

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

NATCHEZ-ADAMS SCHOOL DISTRICT

GOVERNMENT-WIDE FINANCIAL STATEMENTS

NATCHEZ-ADAMS SCHOOL DISTRICT

FUND FINANCIAL STATEMENTS

**NATCHEZ-ADAMS SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2008**

Exhibit C

	Major Funds			Other Govern- mental Funds	Total Governmental Funds
	General Fund	Sixteenth Section Interest	Sixteenth Section Principal		
ASSETS					
Cash and cash equivalents	\$ 3,529,687	\$ 45,644	\$ 29,254	\$ 1,194,047	\$ 4,798,632
Cash with fiscal agent	-	-	-	249,345	249,345
Investments	-	5,207,000	17,913,000	-	23,120,000
Due from other governments	521,877	-	-	1,592,334	2,114,211
Accrued interest receivable	28,535	1,160	3,990	-	33,685
Other receivables, net	113,372	19,665	54,825	85,242	273,104
Due from other funds	1,237,301	710,386	-	79,048	2,026,735
Advances to other funds	-	-	172,443	-	172,443
Inventories	94,189	-	-	55,661	149,850
Total assets	<u>\$ 5,524,961</u>	<u>\$ 5,983,855</u>	<u>\$ 18,173,512</u>	<u>\$ 3,255,677</u>	<u>\$ 32,938,005</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,762,611	\$ -	\$ -	\$ 690,148	\$ 2,452,759
Due to other funds	110,106	-	710,386	1,206,243	2,026,735
Due to other governments	-	-	-	-	-
Advances from other funds	172,443	-	-	-	172,443
Deferred revenue	-	-	-	11,580	11,580
Total liabilities	<u>\$ 2,045,160</u>	<u>\$ -</u>	<u>\$ 710,386</u>	<u>\$ 1,907,971</u>	<u>\$ 4,663,517</u>
Fund balances:					
Reserved for:					
Advances	\$ -	\$ -	\$ 172,443	\$ -	\$ 172,443
Inventory	94,189	-	-	55,661	149,850
Unemployment benefits	-	-	-	90,194	90,194
Forestry improvements	-	-	-	31,315	31,315
Capital project purposes	-	-	-	380	380
Debt service purposes	-	-	-	579,520	579,520
Permanent fund purposes	-	-	17,290,683	-	17,290,683
Undesignated, reported in:					
General fund	3,385,612	-	-	-	3,385,612
Special revenue funds	-	5,983,855	-	590,636	6,574,491
Total fund balances	<u>\$ 3,479,801</u>	<u>\$ 5,983,855</u>	<u>\$ 17,463,126</u>	<u>\$ 1,347,706</u>	<u>\$ 28,274,488</u>
Total liabilities and fund balances	<u>\$ 5,524,961</u>	<u>\$ 5,983,855</u>	<u>\$ 18,173,512</u>	<u>\$ 3,255,677</u>	<u>\$ 32,938,005</u>

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

**NATCHEZ-ADAMS SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008**

Exhibit C-1

Amount

Total Fund Balance - Governmental Funds	\$ 28,274,488
---	---------------

Amounts reported for governmental activities in the Statement of Net Assets are different because:

1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$11,526,346.	16,112,609
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(9,572,776)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	<u>(199,646)</u>
Total Net Assets - Governmental Activities	<u>\$ 34,614,675</u>

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

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

Exhibit D

	Major Funds				Total Governmental Funds
	General Fund	Sixteenth Section Interest	Sixteenth Section Principal	Other Governmental Funds	
REVENUES					
Local sources	\$ 9,766,086	\$ -	\$ -	\$ 222,624	\$ 9,988,710
Intermediate sources	3,000	-	-	227,650	230,650
State sources	17,941,371	-	-	1,567,234	19,508,605
Federal sources	671,097	-	-	7,689,920	8,361,017
Sixteenth Section sources	-	303,079	998,136	6,672	1,307,887
Total revenues	<u>\$ 28,381,554</u>	<u>\$ 303,079</u>	<u>\$ 998,136</u>	<u>\$ 9,714,100</u>	<u>\$ 39,396,869</u>
EXPENDITURES					
Instruction	\$ 16,321,798	\$ -	\$ -	\$ 5,089,323	\$ 21,411,121
Support services	11,511,181	-	-	2,875,396	14,386,577
Noninstructional services	13,528	-	-	2,344,048	2,357,576
Sixteenth Section	-	-	-	12,021	12,021
Facilities acquisition and construction	-	-	-	67,583	67,583
Debt service:					
Principal	-	-	-	685,000	685,000
Interest	11,588	-	-	464,105	475,693
Other	-	-	-	3,387	3,387
Total expenditures	<u>\$ 27,858,095</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,540,863</u>	<u>\$ 39,398,958</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 523,459</u>	<u>\$ 303,079</u>	<u>\$ 998,136</u>	<u>\$ (1,826,763)</u>	<u>\$ (2,089)</u>
OTHER FINANCING SOURCES (USES)					
Sale of property	\$ 36,950	\$ -	\$ -	\$ -	\$ 36,950
Operating transfers - in	3,842,589	710,386	-	1,811,768	6,364,743
Operating transfers - out	(5,022,473)	(501,759)	(710,385)	(130,126)	(6,364,743)
Total other financing sources and (uses)	<u>\$ (1,142,934)</u>	<u>\$ 208,627</u>	<u>\$ (710,385)</u>	<u>\$ 1,681,642</u>	<u>\$ 36,950</u>
Net change in fund balances	<u>\$ (619,475)</u>	<u>\$ 511,706</u>	<u>\$ 287,751</u>	<u>\$ (145,121)</u>	<u>\$ 34,861</u>
Fund balances:					
July 1, 2007	\$ 4,086,726	\$ 5,472,149	\$ 17,175,376	\$ 1,494,643	\$ 28,228,894
Increase (decrease) in reserve for inventory	<u>12,550</u>	<u>-</u>	<u>-</u>	<u>(1,817)</u>	<u>10,733</u>
June 30, 2008	<u>\$ 3,479,801</u>	<u>\$ 5,983,855</u>	<u>\$ 17,463,127</u>	<u>\$ 1,347,705</u>	<u>\$ 28,274,488</u>

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

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

Exhibit D-1

		Amount
Net Change in Fund Balances - Governmental Funds	\$	34,861
Amounts reported for governmental activities in the Statement of Activities are different because:		
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$322,870 and the depreciation expense amounted to \$582,144.		322,870 (582,144)
2. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.		685,000
3. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.		18,722
4. Gains and losses on the sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.		(5,090)
5. Increase in the inventory is reported as an adjustment to fund balance in the governmental funds, but support and noninstructional expenditures are increased in the Statement of Activities.		10,733
6. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:		
Compensated absences		14,795
Change in Net Assets of Governmental Activities	\$	499,747

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

**NATCHEZ-ADAMS SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2008**

	Exhibit E
ASSETS	Agency Funds
	<u> </u>
Cash and cash equivalents	\$ 625,535
Other receivables	6,088
	<u> </u>
Total assets	<u>\$ 631,623</u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 166,384
Other payables	420,455
Due to student clubs	44,784
	<u> </u>
Total liabilities	<u>\$ 631,623</u>

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

NATCHEZ-ADAMS SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

**NATCHEZ-ADAMS SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 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 and its blended component unit. 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, where two are appointed by the Adams County Board of Supervisors and three are appointed by the City of Natchez Board of Aldermen.

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

The Authority is governed by a six member board which was appointed by the School District's governing board. Although it is legally separate from the School District, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, equity, revenues, expenditures, and other financing sources and uses have been included in the government-wide financial statements of the School District (see Note 10).

B. Basis of Presentation

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

Government-Wide Financial Statements:

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

The Statement of Net Assets presents the financial condition of the governmental activities of the School District at year-end. The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues

**NATCHEZ-ADAMS SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

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:

Fund financial statements of the School District 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 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.

Sixteenth Section Interest Fund - This fund contains expendable Sixteenth Section funds. Sources include revenues from leases, interest, and sale of timber. It may be used to purchase investments, transfer to the district maintenance fund, and pay drainage district taxes and sixteenth section land improvements.

Sixteenth Section Principal Fund - This fund contains nonexpendable Sixteenth Section funds. Sources include revenues from easements and rights-of-way, permanent damages, sale of Sixteenth Section lands, sale of nonrenewable resources, sale of buildings, and interest. Funds may be used to purchase investments, purchase lieu lands, loans for school building purposes, forest stand improvements, and purchase of school buses.

**NATCHEZ-ADAMS SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus and Basis of Accounting (continued)

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

Additionally the School District reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

D. Account Classifications

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

E. Encumbrances

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

F. Cash and Cash Equivalents

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

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

**NATCHEZ-ADAMS SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Investments

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

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

Investments are presented at fair value.

H. Inventories and Prepaid Items

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

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

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

I. Capital Assets

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

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

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

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

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

(**) 15 year estimated useful life for relocatable buildings.

**NATCHEZ-ADAMS SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Inter-fund Transactions and Balances

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

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

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

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

L. Equity Classifications

Government-wide Financial Statements:

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

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 borrowings 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.

**NATCHEZ-ADAMS SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Equity Classifications (continued)

Government-wide Financial Statements: (continued)

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 classified as designated and undesignated.

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

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

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 improvement purposes - An account that represents a portion of the fund balance that is legally restricted for improving Sixteenth Section forest lands.

Reserved of 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.

**NATCHEZ-ADAMS SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Property Taxes

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

N. Mississippi Adequate Education Program Revenues

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

O. Compensated Absences

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

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

NOTE 2 - CASH AND CASH EQUIVALENTS AND CASH WITH FISCAL AGENTS

Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the School Districts' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

**NATCHEZ-ADAMS SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 2 - CASH AND CASH EQUIVALENTS AND CASH WITH FISCAL AGENTS (continued)

Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments (continued)

Investments. Sections 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorize 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 deposit and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligation; (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, an open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and Sixteenth Section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Amounts less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the School District's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$4,769,378 and \$625,535, respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents \$4,769,378 and Restricted Assets \$17,942,254. The Restricted Assets represent the cash balance and investment balance of the Sixteenth Section Principal Funds (Permanent Funds) which is legally restricted and may not be used for purposes that support the District's programs. The bank balance was \$6,331,598.

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, \$0 of the District's bank balance of \$6,331,598 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of School District's cash with fiscal agents held by financial institutions was \$249,345.

**NATCHEZ-ADAMS SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 3 - INTERFUND TRANSACTIONS AND BALANCES

The following is a summary of interfund transactions and balances:

(A) Due From/To Other Funds:	<u>Due From</u>	<u>Due To</u>
Governmental funds:		
General Fund	\$ 1,237,301	\$ 110,106
Sixteenth Section Interest Fund	710,386	-
Sixteenth Section Principal Fund	-	710,386
Other governmental funds	79,048	1,206,243
	<u>2,026,735</u>	<u>1,206,243</u>
Total funds	<u>\$ 2,026,735</u>	<u>\$ 2,026,735</u>

The amounts due to/from other funds represent amounts advanced or received, for timing differences between revenues and expenditures, and loans to cover cash deficits in pooled bank accounts.

(B) Advances To/From Other Funds:	<u>Advances To</u>	<u>Advances From</u>
Governmental funds:		
General Fund	\$ -	\$ 172,443
Sixteenth Section Principal Fund	172,443	-
	<u>172,443</u>	<u>-</u>
Total funds	<u>\$ 172,443</u>	<u>\$ 172,443</u>

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

(C) Sixteenth Section principal loans payable:

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	\$ 144,051	\$ 6,897	\$ 150,948
2010	28,392	1,136	29,528
	<u>172,443</u>	<u>8,033</u>	<u>180,476</u>
Total	<u>\$ 172,443</u>	<u>\$ 8,033</u>	<u>\$ 180,476</u>

(D) Transfers In/Out:	<u>Transfers-in</u>	<u>Transfers-out</u>
Governmental funds:		
General Fund	\$ 3,842,589	\$ 5,022,473
Sixteenth Section Interest Fund	710,386	501,759
Sixteenth Section Principal Fund	-	710,385
Other governmental funds	1,811,768	130,126
	<u>6,364,743</u>	<u>5,864,743</u>
Total funds	<u>\$ 6,364,743</u>	<u>\$ 5,864,743</u>

The transfers represent operating transfers for school operations and transfers for indirect costs, debt service, and unrestricted Sixteenth Section interest earnings.

NATCHEZ-ADAMS SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 4 - CAPITAL ASSETS

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

	Balance 7/1/2007	Additions	Retirements	Adjustments	Balance 6/30/2008
Nondepreciable capital assets					
Land	\$ 2,054,130	\$ -	\$ -	\$ -	\$ 2,054,130
Total nondepreciable	<u>\$ 2,054,130</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,054,130</u>
Depreciable capital assets					
Buildings	\$ 18,715,851	\$ 67,583	\$ -	\$ -	\$ 18,783,434
Building improvements	4,914,834	-	-	-	4,914,834
Improvements other than buildings	27,270	-	-	-	27,270
Mobile equipment	322,085	27,828	(36,128)	-	313,785
Furniture and equipment	1,386,190	227,459	(68,147)	-	1,545,502
Total depreciable assets	<u>\$ 25,366,230</u>	<u>\$ 322,870</u>	<u>\$ (104,275)</u>	<u>\$ -</u>	<u>\$ 25,584,825</u>
Less accumulated depreciation for:					
Buildings	\$ 7,919,965	\$ 259,387	\$ -	\$ -	\$ 8,179,352
Building improvements	1,588,572	196,593	-	-	1,785,165
Improvements other than buildings	6,545	1,091	-	-	7,636
Mobile equipment	270,180	9,797	(32,515)	-	247,462
Furniture and equipment	1,258,124	115,276	(66,670)	-	1,306,730
Total accumulated depreciation	<u>\$ 11,043,386</u>	<u>\$ 582,144</u>	<u>\$ (99,185)</u>	<u>\$ -</u>	<u>\$ 11,526,345</u>
Total depreciable capital assets, net	<u>\$ 14,322,844</u>	<u>\$ (259,274)</u>	<u>\$ (5,090)</u>	<u>\$ -</u>	<u>\$ 14,058,480</u>
Governmental activities capital assets, net	<u>\$ 16,376,974</u>	<u>\$ (259,274)</u>	<u>\$ (5,090)</u>	<u>\$ -</u>	<u>\$ 16,112,610</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 534,089
Support services	28,202
Noninstructional	19,853
Total depreciation expense	<u>\$ 582,144</u>

**NATCHEZ-ADAMS SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 5 - LONG-TERM LIABILITIES

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

	Balance 7/1/2007	Additions	Reductions	Balance 6/30/2008	Amounts Due Within One Year
Limited obligation bonds payable	\$ 5,805,000	\$ -	\$ 390,000	\$ 5,415,000	\$ 410,000
Certificates of participation payable	\$ 4,180,000	\$ -	\$ 295,000	\$ 3,885,000	\$ 310,000
Compensated absences payable	\$ 287,572	\$ -	\$ 14,796	\$ 272,776	\$ 20,000
Total	<u>\$ 10,272,572</u>	<u>\$ -</u>	<u>\$ 699,796</u>	<u>\$ 9,572,776</u>	<u>\$ 740,000</u>

A. Limited obligations bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement, Series 1998	4.25%-6.00%	05/27/98	02/01/18	\$ 7,500,000	\$ 5,415,000
Total				<u>\$ 7,500,000</u>	<u>\$ 5,415,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2009	\$ 410,000	\$ 234,691	\$ 644,691
2010	435,000	212,642	647,642
2011	455,000	192,173	647,173
2012	470,000	170,897	640,897
2013	480,000	149,288	629,288
2014-2018	3,165,000	393,900	3,558,900
Total	<u>\$ 5,415,000</u>	<u>\$ 1,353,591</u>	<u>\$ 6,768,591</u>

**NATCHEZ-ADAMS SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 5 - LONG-TERM LIABILITIES (continued)

A. Limited obligations bonds payable (continued)

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

B. Certificates of participation payable

As more fully explained in Note 10, certificates of participation have been issued by the School District. Certificates of participation currently outstanding are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Trust Certificates	4.90%	12/30/1997	12/30/2017	\$ 6,285,000	\$ 3,885,000
				<u>\$ 6,285,000</u>	<u>\$ 3,885,000</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	\$ 310,000	\$ 190,365	\$ 500,365
2010	325,000	175,175	500,175
2011	340,000	159,250	499,250
2012	360,000	142,590	502,590
2013	375,000	124,950	499,950
2014-2018	<u>2,175,000</u>	<u>329,525</u>	<u>2,504,525</u>
Total	<u>\$ 3,885,000</u>	<u>\$ 1,121,855</u>	<u>\$ 5,006,855</u>

This debt will be retired from the 1997 Trustmark Debt Service Fund.

C. Compensated absences payable

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

**NATCHEZ-ADAMS SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 6 - DEFINED BENEFIT PENSION PLAN

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

Funding Policy - PERS members are required to contribute 7.25% of their annual covered salary, and the School District is required to contribute at an actuarially determined rate. The current rate is 11.85% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The School District's contributions to PERS for the fiscal years ending June 30, 2008, 2007, and 2006 were \$2,519,673, \$2,281,744, and \$2,143,193, respectively, which equaled the required contributions for each year.

NOTE 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.

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2009	\$ 110,838
2010	64,303
2011	31,674
2012	<u>11,070</u>
Total	<u>\$ 217,885</u>

**NATCHEZ-ADAMS SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 8 - RISK MANAGEMENT

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

Participation in Public Entity Risk Pool

The School District was a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT) until October 1, 2007. The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 121 school districts and covers risks of loss arising from injuries to the School District's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by BancorpSouth 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. On September 30, 2005, the Natchez-Adams School District was assessed an additional assessment of \$92,586. Members are assessed depending upon their years of membership in the MSBAWCT. This assessment is allowed to be repaid at a rate of 5% of their current premium per year until the total assessment is fully paid as long as they continue as members. If a member leaves the pool, they must repay the complete balance of the assessment within two years in equal installments. When the District left the pool on October 1, 2007, \$55,362 was due on the assessment. The District paid \$27,681 in October 2007 with the remaining \$27,681 due in October 2008.

NOTE 9 - UNCERTAINTIES

In cases where a township is occupied by two or more school districts, state law requires that available Sixteenth Section funds shall be divided between the school districts lying wholly or partly within such townships in proportion to the number of children enrolled and residing in each school district. In order to determine what portions of available Sixteenth Section funds are due to or from other school districts, the superintendent of each school district is required to compile lists of such children in compliance with Section 29-3-121, Miss. Code Ann. (1972). No division of Sixteenth Section revenues has been accrued as a receivable or payable, as the case may be. The School District is also unable to calculate the amount of revenue derived from the shared townships because it has been unable to determine the location of the lieu lands. The School District is consulting legal counsel to determine the best way to proceed with resolving this matter.

**NATCHEZ-ADAMS SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 9 - UNCERTAINTIES (continued)

Of the townships Natchez-Adams School District shares with other school districts, Natchez-Adams School District has control of some of the Sixteenth Section property. A portion of the Sixteenth Section revenues (rents, leases, timber sales, etc.) Natchez-Adams School District received on these sections may be due to other school districts. In addition, on the other townships where another school district controls the Sixteenth Section property, Natchez-Adams School District may be entitled to a portion of the Sixteenth Section revenues the other school district(s) received. Because none of the school districts compiled and filed lists of children as state law requires in either the current year or in preceding years and because the School District is unable to determine the location of lieu lands, neither the amounts of any liabilities owed to other school districts nor the amounts of any receivables from other school districts can be determined.

NOTE 10 - TRUST CERTIFICATES

A trust agreement dated December 30, 1997, was executed by and between the School District and Trustmark National Bank of Jackson, Mississippi, as trustee.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$6,285,000. Approximately \$6,232,948 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$52,015 was used to pay the cost of issuance.

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

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the School District defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the School District. See Note 5 for details regarding the debt service requirement on the trust certificates.

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

NATCHEZ-ADAMS SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION

**NATCHEZ-ADAMS SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive(Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES:					
1000 Local sources	\$ 9,633,982	\$ 9,663,084	\$ 9,766,086	\$ 29,102	\$ 103,002
2000 Intermediate sources	-	3,000	3,000	3,000	-
3000 State sources	18,349,318	18,348,769	17,941,371	(549)	(407,398)
4000 Federal sources	1,101,180	1,093,568	671,097	(7,612)	(422,471)
Total revenues	\$29,084,480	\$29,108,421	\$ 28,381,554	\$ 23,941	\$ (726,867)
EXPENDITURES:					
1000 Instruction	\$17,278,754	\$17,406,690	\$ 16,321,798	\$ (127,936)	\$ 1,084,892
2000 Support services	11,856,555	11,949,086	11,511,181	(92,531)	437,905
3000 Noninstructional services	-	15,668	13,528	(15,668)	2,140
6000 Debt service Interest	12,439	11,589	11,588	850	1
Total expenditures	\$29,147,748	\$29,383,033	\$ 27,858,095	\$ (235,285)	\$ 1,524,938
Excess (deficiency) of revenues over expenditures	\$ (63,268)	\$ (274,612)	\$ 523,459	\$ (211,344)	\$ 798,071
OTHER FINANCING SOURCES (USES)					
Sale of other property	\$ -	\$ -	\$ 36,950	\$ -	\$ 36,950
Indirect cost transfers - in	85,000	85,000	102,094	-	17,094
Other transfers - in	4,959,790	5,113,878	3,740,495	154,088	(1,373,383)
Other transfers - out	(5,117,497)	(5,021,340)	(5,022,473)	96,157	(1,133)
Total other financing sources (uses)	\$ (72,707)	\$ 177,538	\$ (1,142,934)	\$ 250,245	\$ (1,320,472)
Net change in fund balance	\$ (135,975)	\$ (97,074)	\$ (619,475)	\$ 38,901	\$ (522,401)
FUND BALANCE/RETAINED EARNINGS					
July 1, 2007	\$ 3,535,462	\$ 4,086,725	\$ 4,086,726	\$ 551,263	\$ (1)
Increase (decrease) in reserve for inventory	\$ -	\$ 12,550	\$ 12,550	12,550	\$ -
June 30, 2008	\$ 3,399,487	\$ 4,002,201	\$ 3,479,801	\$ 602,714	\$ (522,400)

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

**NATCHEZ-ADAMS SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR SIXTEENTH SECTION INTEREST 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:					
5000 Sixteenth Section sources	\$ 530,537	\$ 538,541	\$ 303,079	\$ 8,004	\$ (235,462)
Total revenues	\$ 530,537	\$ 538,541	\$ 303,079	\$ 8,004	\$ (235,462)
EXPENDITURES:					
4000 Sixteenth Section	\$ -	\$ -	\$ -	\$ -	\$ -
Total expenditures	\$ -	\$ -	\$ -	\$ -	\$ -
Excess (deficiency) of revenues over expenditures	\$ 530,537	\$ 538,541	\$ 303,079	\$ 8,004	\$ (235,462)
OTHER FINANCING SOURCES (USES)					
Other transfers - in	\$ 905,000	\$ 905,000	\$ 710,386	\$ -	\$ (194,614)
Other transfers - out	(1,707,414)	(1,707,414)	(501,759)	-	1,205,655
Total other financing sources (uses)	\$ (802,414)	\$ (802,414)	\$ 208,627	\$ -	\$ 1,011,041
Net change in fund balance	\$ (271,877)	\$ (263,873)	\$ 511,706	\$ 8,004	\$ 775,579
FUND BALANCE/RETAINED EARNINGS					
July 1, 2007	\$ 5,216,700	\$ 5,472,149	\$ 5,472,149	\$ 255,449	\$ -
June 30, 2008	\$ 4,944,823	\$ 5,208,276	\$ 5,983,855	\$ 263,453	\$ 775,579

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

**NATCHEZ-ADAMS SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

NATCHEZ-ADAMS SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

**NATCHEZ-ADAMS SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education		
Noncash assistance:		
Food donation	10.555	\$ 118,942
Child nutrition cluster:		
School breakfast program	10.553	\$ 452,227
National school lunch program	10.555	1,442,596
Summer food service program for children	10.559	47,947
Total child nutrition cluster		<u>\$ 1,942,770</u>
Total passed-through Mississippi Department of Education		<u>\$ 2,061,712</u>
Passed-through State of Mississippi		
Fresh fruit and vegetable program	10.582	55,732
Total passed-through State of Mississippi		<u>\$ 55,732</u>
Total U.S. Department of Agriculture		<u>\$ 2,117,444</u>
<u>U.S. Department of Defense</u>		
Direct program(s):		
Reserve Officers' Training Corps	12.xxx	\$ 53,014
Total		<u>\$ 53,014</u>
Total U.S. Department of Defense		<u>\$ 53,014</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	\$ 510,351
Total		<u>\$ 510,351</u>
Total Federal Communications Commission		<u>\$ 510,351</u>
<u>U.S. Department of Education</u>		
Direct programs		
Funds for the improvement of Education-Carol M White		
PE Program	84.215F	\$ 43,526
Total		<u>\$ 43,526</u>
Passed-through Mississippi Department of Education		
Title I grants to local educational agencies	84.010	\$ 2,618,218
Title I program for neglected and delinquent children	84.013	18,302
Career and technical education - basic grants to states	84.048	90,345
Safe and drug-free schools and communities - state grants	84.186	53,975
Education for homeless children and youth	84.196	46,124
Innovative education program strategies	84.298	7,188
Education technology state grants	84.318	25,196
Teacher quality enhancement grants	84.336	540
Reading first state grants	84.357	506,855

**NATCHEZ-ADAMS SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education</u> (continued)		
Rural education	84.358	111,013
Improving teacher quality - state grants	84.367	1,003,803
State assessments grants	84.369	223
Total		<u>\$ 4,481,782</u>
Special education cluster:		
Special education - grants to states	84.027	\$ 1,043,470
Special education - preschool grants	84.173	69,189
Total		<u>\$ 1,112,659</u>
Total passed-through Mississippi Department of Education		<u>\$ 5,594,441</u>
Total U.S. Department of Education		<u>\$ 5,637,967</u>
Total for all Federal Awards		<u>\$ 8,318,776</u>

NOTES TO SCHEDULE

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

NATCHEZ-ADAMS SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE, AND OTHER EXPENDITURES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 28,964,692	\$ 22,030,203	\$ 1,405,231	\$ 2,135,095	\$ 3,394,162
Other	10,434,266	3,643,383	351,994	139,748	6,299,140
Total	\$ 39,398,958	\$ 25,673,587	\$ 1,757,226	\$ 2,274,843	\$ 9,693,303
 Total number of students	 4,024				
Cost per student	\$ 9,791	\$ 6,380	\$ 437	\$ 565	\$ 2,409

Notes to the schedule.

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

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

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

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

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

NATCHEZ-ADAMS SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
LAST FOUR YEARS

	<u>2008</u>	<u>2007 *</u>	<u>2006 *</u>	<u>2005 *</u>
REVENUES				
Local sources	\$ 9,766,086	\$ 9,653,580	\$ 9,581,620	\$ 8,925,504
Intermediate sources	3,000	-	-	-
State sources	17,941,371	17,669,891	16,053,595	15,309,999
Federal sources	671,097	491,756	447,641	531,861
Total revenues	<u>\$ 28,381,554</u>	<u>\$ 27,815,227</u>	<u>\$ 26,082,856</u>	<u>\$ 24,767,364</u>
EXPENDITURES				
Instruction	\$ 16,321,798	\$ 15,332,185	\$ 13,494,205	\$ 14,267,768
Support services	11,511,181	10,686,075	10,735,556	9,840,861
Noninstructional services	13,528	2,335	5,008	12,260
Principal	-	-	-	3,267
Interest	11,588	17,765	22,888	21,622
Total expenditures	<u>\$ 27,858,095</u>	<u>\$ 26,038,360</u>	<u>\$ 24,257,657</u>	<u>\$ 24,145,778</u>
Excess of revenues over expenditures	<u>\$ 523,459</u>	<u>\$ 1,776,867</u>	<u>\$ 1,825,199</u>	<u>\$ 621,586</u>
OTHER FINANCING SOURCES (USES)				
Sale of property	\$ 36,950	\$ -	\$ 278	\$ 38,242
Operating transfers - in	3,842,589	64,033	3,446,123	3,506,959
Operating transfers - out	(5,022,473)	(1,195,545)	(4,802,555)	(4,469,636)
Other sources	-	-	1,464	-
Other uses	-	-	(137)	(168)
Total other financing uses	<u>\$ (1,142,934)</u>	<u>\$ (1,131,512)</u>	<u>\$ (1,354,827)</u>	<u>\$ (924,603)</u>
Net change in fund balances	<u>\$ (619,475)</u>	<u>\$ 645,355</u>	<u>\$ 470,372</u>	<u>\$ (303,017)</u>
Fund balances:				
Fund balance, July 1	\$ 4,086,726	\$ 3,428,528	\$ 2,940,230	\$ 3,227,649
Prior period adjustments	-	-	13,860	(3,330)
Fund balance July 1, as restated	<u>\$ 4,086,726</u>	<u>\$ 3,428,528</u>	<u>\$ 2,954,090</u>	<u>\$ 3,224,319</u>
Increase in reserve for inventory	12,550	12,843	4,056	18,763
Residual equity transfers in	-	-	10	165
Fund balance, June 30	<u>\$ 3,479,801</u>	<u>\$ 4,086,726</u>	<u>\$ 3,428,528</u>	<u>\$ 2,940,230</u>

* SOURCE - PRIOR YEAR AUDIT REPORTS

NATCHEZ-ADAMS SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUNDS
LAST FOUR YEARS

	2008	2007 *	2006 *	2005 *
REVENUES				
Local sources	\$ 9,988,710	\$ 9,928,530	\$ 9,977,631	\$ 9,188,707
Intermediate sources	230,650	-	-	-
State sources	19,508,605	19,156,886	17,683,635	16,851,189
Federal sources	8,361,017	8,116,503	9,373,242	7,454,669
Sixteenth Section sources	1,307,887	1,832,395	1,170,789	827,070
Total revenues	<u>\$ 39,396,869</u>	<u>\$ 39,034,314</u>	<u>\$ 38,205,297</u>	<u>\$ 34,321,635</u>
EXPENDITURES				
Instruction	\$ 21,411,121	\$ 20,744,460	\$ 20,266,857	\$ 19,208,480
Support services	14,386,577	12,874,591	12,831,394	11,675,716
Noninstructional services	2,357,576	2,195,314	2,647,169	2,179,331
Sixteenth Section	12,021	20,967	3,468	16,814
Facilities acquisition and construction	67,583	-	-	-
Debt service:				
Principal	685,000	640,000	890,556	881,851
Interest	475,693	517,240	571,127	618,076
Other	3,387	3,422	3,486	4,265
Total expenditures	<u>\$ 39,398,958</u>	<u>\$ 36,995,994</u>	<u>\$ 37,214,057</u>	<u>\$ 34,584,533</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (2,089)</u>	<u>\$ 2,038,320</u>	<u>\$ 991,240</u>	<u>\$ (262,898)</u>
OTHER FINANCING SOURCES (USES)				
Sale of property	\$ 36,950	\$ -	\$ 278	\$ 38,242
Operating transfers - in	6,364,743	2,730,576	6,108,951	5,614,975
Operating transfers - out	(6,364,743)	(2,730,576)	(6,108,951)	(5,614,975)
Other sources	-	-	1,464	-
Other uses	-	-	(137)	(51)
Total other financing sources and (uses)	<u>\$ 36,950</u>	<u>\$ -</u>	<u>\$ 1,605</u>	<u>\$ 38,191</u>
Net change in fund balances	<u>\$ 34,861</u>	<u>\$ 2,038,320</u>	<u>\$ 992,845</u>	<u>\$ (224,707)</u>
Fund balances:				
Fund balance, July 1	\$ 28,228,894	\$ 26,167,370	\$ 25,185,428	\$ 25,479,975
Prior period adjustments	-	610	(7,357)	(82,982)
Fund balance July 1, as restated	<u>\$ 28,228,894</u>	<u>\$ 26,167,980</u>	<u>\$ 25,178,071</u>	<u>\$ 25,396,993</u>
Increase (decrease) in reserve for inventory	<u>10,733</u>	<u>22,594</u>	<u>(3,546)</u>	<u>13,142</u>
Fund balance, June 30	<u>\$ 28,274,488</u>	<u>\$ 28,228,894</u>	<u>\$ 26,167,370</u>	<u>\$ 25,185,428</u>

* SOURCE - PRIOR YEAR AUDIT REPORTS

NATCHEZ-ADAMS SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE



**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
Natchez-Adams School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Natchez-Adams School District as of and for the year ended June 30, 2008, which collectively comprise the Natchez-Adams School District's basic financial statements and have issued our report thereon dated December 5, 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 opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School District's financial statements that is more than inconsequential will not be prevented or detected by the School District's internal control.

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

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

Compliance and Other Matters

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

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

Silas Simmons, LLP

Natchez, Mississippi
December 5, 2008



**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
Natchez-Adams School District

Compliance

We have audited the compliance of the Natchez-Adams 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 Nonprofit 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, Natchez-Adams 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 Natchez-Adams 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 the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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 over compliance that we consider to be material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Silas Simmons, LLP

Natchez, Mississippi
December 5, 2008

NATCHEZ-ADAMS SCHOOL DISTRICT

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



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

Superintendent and School Board
Natchez-Adams School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Natchez-Adams School District as of and for the year ended June 30, 2008, and have issued our report thereon dated December 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The School District reported \$3,415 of classroom supply funds carried over from previous years.

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

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

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

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

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

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

Silas Simmons, LLP

Natchez, Mississippi
December 5, 2008

NATCHEZ-ADAMS SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**NATCHEZ-ADAMS SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | |
|--|---------------|
| 4. Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | None reported |
| 6. Any audit finding(s) reported as required by section __.510(a) of OMB Circular A-133? | No |
| 7. Federal programs identified as major programs: | |
| a. Improving Teacher Quality:
CFDA#: 84.367 Grants to State | |
| b. Special Education Cluster:
CFDA#: 84.027 Grants to State
CFDA#: 84.173 Preschool Grants | |
| 8. The dollar threshold used to distinguish between Type A and Type B programs: | \$300,000 |
| 9. Auditee qualified as a low-risk auditee? | Yes |
| 10. Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No |

NATCHEZ-ADAMS SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Section 2: Financial Statement Findings

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

Section 3: Federal Awards Findings and Questioned Costs

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