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YAZOO COUNTY SCHOOL DISTRICT

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YAZOO COUNTY SCHOOL DISTRICT
FINANCIAL AUDIT REPORT

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Certified Public Accountants

May 29, 2009

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

Superintendent and School Board
Yazoo County School District

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

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

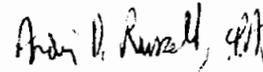
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Yazoo County School District, as of June 30, 2008, and the respective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

In accordance with *Government Auditing Standards*, I have also issued my report dated May 29, 2009, on my consideration of the Yazoo County School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis on pages 3 through 9 and the Budgetary Comparison Schedules and corresponding notes on pages 31 through 34 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

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

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



Ardis D. Russell, CPA

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

FINANCIAL HIGHLIGHTS

Total net assets for 2008 increased \$276,883, including a prior period adjustment of (\$5,877), which represents 2.40% increase from fiscal year 2007. Total net assets for 2007 increased \$652,203, including a prior period adjustment of \$17,017, which represents 6.00% increase from fiscal year of 2006.

General revenues account for \$12,783,498 and \$13,164,464 in revenue, or 79.81% and 80.05% of all revenues for fiscal years 2008 and 2007 respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,233,545 or 20.19% of total revenues for 2008 and \$3,280,426 or 19.95% of total revenues for 2007.

The District had \$15,734,283 and \$15,809,704 in expenses for fiscal years 2008 and 2007; only \$3,233,545 for 2008 and \$3,280,426 for 2007 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$12,783,498 for 2008 and \$13,164,464 for 2007 were adequate to provide for these programs.

Among major funds, the General Fund had \$11,691,362 in revenues, \$399,757 net transfers in, \$132,875 other financing sources, \$11,897,141 in expenditures and \$873 in prior period adjustments in 2008. In 2007, the General Fund had \$11,422,574 in revenues, \$472,260 net transfers in, \$688,202 other financing sources, \$11,994,879 in expenditures and \$17,017 in prior period adjustments. The General Fund's fund balance increased by \$327,726 from 2007 to 2008 and increased \$605,174 from 2006 to 2007.

Capital assets, net of accumulated depreciation, decreased by \$472,236 for 2008 and decreased by \$511,993 for 2007. The decrease for 2008 was due to a greater charge for depreciation expense than for capital asset acquisitions.

Long-term debt decreased by \$513,007 for 2008 and decreased \$640,013 for 2007. This decrease was due to the annual payment on long-term debt outstanding. In addition, the liability for compensated absences increased by \$13,075 for 2008 and increased by \$27,036 for 2007.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

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

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

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

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$11,791,657 as of June 30, 2008.

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

Table 1 presents a summary of the District's net assets for the fiscal year ended June 30, 2008 and June 30, 2007.

Table 1
Condensed Statement of Net Assets

	<u>Net Assets</u>		<u>Total Percentage Change</u>
	<u>2008</u>	<u>2007</u>	
Current assets	\$ 3,392,611	\$ 3,179,365	6.7%
Capital assets, net	<u>15,006,103</u>	<u>15,478,339</u>	-3.1%
Total assets	<u>18,398,714</u>	<u>18,657,704</u>	-1.4%
Current liabilities	746,511	774,693	-3.6%
Long-term debt outstanding	<u>5,860,546</u>	<u>6,368,237</u>	-8.0%
Total liabilities	<u>6,607,057</u>	<u>7,142,930</u>	-7.5%
Net assets:			
Invested in capital assets, net of related debt	8,746,103	8,608,339	1.6%
Restricted	1,012,678	1,110,729	-8.8%
Unrestricted	<u>2,032,876</u>	<u>1,795,706</u>	13.2%
Total net assets	<u>\$ 11,791,657</u>	<u>\$ 11,514,774</u>	2.4%

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

The principal retirement of \$658,957 of long-term debt, and the addition of a shortfall note for \$132,875, with the resulting decrease of \$526,082 in long-term debt.

The net increase to accumulated depreciation of \$482,586.

Changes in net assets. The District's total revenues for the fiscal years ended June 30, 2008 and June 30, 2007 were \$16,017,043 and \$16,444,890 respectively. The total cost of all programs and services for 2008 was \$15,734,283 and \$15,809,704 for 2007. Table 2 presents a summary of the changes in net assets for the fiscal years ending June 30, 2008 and June 30, 2007.

Table 2
Change in Net Assets

	<u>2008</u>	<u>2007</u>	<u>Total Percentage Change</u>
Revenues			
Program revenues:			
Charges for services	\$ 396,832	\$ 559,242	-29.0%
Operating grants and contributions	2,836,713	2,721,184	4.2%
General revenues:			
Property taxes	3,995,170	4,027,383	-0.8%
Grants and contributions not restricted	7,796,740	7,675,174	1.6%
Other	<u>991,588</u>	<u>1,461,907</u>	-32.2%
Total revenues	<u>16,017,043</u>	<u>16,444,890</u>	-2.6%
Expenses			
Instruction	7,853,242	8,024,290	-2.1%
Support services	6,383,134	6,308,464	1.2%
Non-instructional	1,084,416	1,087,890	-0.3%
Sixteenth section	104,293	59,930	74.0%
Interest and other charges on long-term liabilities	<u>309,198</u>	<u>329,130</u>	-6.1%
Total expenses	<u>15,734,283</u>	<u>15,809,704</u>	-0.5%
Increase (Decrease) in net assets	<u>282,760</u>	<u>635,186</u>	-55.5%
Net Assets, July 1	11,514,774	10,862,571	6.0%
Prior period adjustments	<u>(5,877)</u>	<u>17,017</u>	-134.5%
Net Assets, June 30	<u>\$ 11,791,657</u>	<u>\$ 11,514,774</u>	2.4%

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

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		<u>Total Percentage Change</u>
	<u>2008</u>	<u>2007</u>	<u>2007-2008</u>
Instruction	\$ 7,853,242	\$ 8,024,290	-2.13%
Support services	6,383,134	6,308,464	1.18%
Non-instructional	1,084,416	1,087,890	-0.32%
Sixteenth section	104,293	59,930	74.02%
Interest on long-term liabilities	<u>309,198</u>	<u>329,130</u>	-6.06%
Net expenses	<u>\$ 15,734,283</u>	<u>\$ 15,809,704</u>	-0.48%
			<u>Total Percentage Change</u>
			<u>2007-2008</u>
			<u>2007-2008</u>
Instruction	\$(6,388,248)	\$(6,697,903)	4.62%
Support services	(5,692,495)	(5,595,732)	-1.73%
Non-instructional	(53,453)	(51,561)	-3.67%

Sixteenth section	(57,344)	145,048	-139.53%
Interest on long-term liabilities	<u>(309,198)</u>	<u>(329,130)</u>	<u>6.06%</u>
Total Net(expense) revenue	<u>\$(12,500,738)</u>	<u>\$(12,529,278)</u>	<u>0.23%</u>

Net cost of governmental activities, (\$12,500,738 and \$12,529,278), was financed by general revenue, which is made up of primarily property taxes of(\$3,995,170 for 2008 and \$4,027,383 for 2007), and state and federal revenues of (\$7,796,740 for 2008 and \$7,675,174 for 2007). In addition, there was \$795,482 and \$701,921 in sixteenth section sources for 2008 and 2007, respectively.

Also in 2007 the district received \$428,603 for insurance loss recoveries and \$213,512 for gain on disposal of fixed assets

Investment earnings accounted for \$119,405 for 2008 and \$117,851 for 2007 of funding.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$3,356,611, an increase of \$234,685, which includes the prior period adjustments of \$(6,880) and an increase in inventory of \$6,179. \$2,290,410 or 68.24% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$1,066,201 or 31.76% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$327,726 which includes a prior period adjustment for \$873. The fund balance of Other Governmental Funds showed a decrease in the amount of \$93,041, which includes prior year adjustments of \$(7,753) and an increase in reserve for inventory of \$6,179. This decrease is due primarily to expected rising costs of goods and services caused by significant increases in fuel costs.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budget to reflect more accurately the sources and uses of funding for the school district.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2008, the District's total capital assets were \$19,326,943, including land, school buildings, building improvements, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$10,350 from 2007 to 2008. Total capital assets decreased \$200,536 from 2006 to 2007. Total accumulated depreciation as of June 30, 2008 was \$4,320,840 and total depreciation expense for the year was \$483,589, resulting in total net capital assets of \$15,006,103.

Table 4
Capital Assets

	<u>Capital Assets, Net of Depreciation</u>		Total Percentage Change
	<u>2008</u>	<u>2007</u>	<u>2007-2008</u>
Land	\$ 413,786	\$ 413,786	0.0%
Buildings	8,880,217	9,092,126	-2.3%
Building improvements	4,913,573	5,023,299	-2.2%
Improvements other than buildings	540,996	593,272	-8.8%
Mobile equipment	109,945	127,925	-14.1%
Furniture and equipment	<u>147,586</u>	<u>227,931</u>	<u>-35.2%</u>
Total	<u>\$ 15,006,103</u>	<u>\$ 15,478,339</u>	<u>-3.1%</u>

Additional information of the District's capital assets can be found in Note 5 included in this report.

Debt Administration. At June 30, 2008, the District had \$6,517,534 in general obligation bonds and other long-term debt outstanding, of which \$656,988 is due within one year.

Table 5
Outstanding Long-Term Debt at June 30

	<u>Outstanding Debt</u>		Total Percentage Change
	<u>2008</u>	<u>2007</u>	<u>Change</u>
Limited obligation bonds payable	\$ 825,000	\$ 990,000	-16.7%
Trust certificates payable	3,255,000	3,480,000	-6.5%
Three-mil notes payable	2,180,000	2,400,000	-9.2%
Shortfall notes payable	132,875	48,957	171.4%
Compensated absences payable	<u>124,659</u>	<u>111,584</u>	<u>11.7%</u>
Total	<u>\$ 6,517,534</u>	<u>\$ 7,030,541</u>	<u>-7.3%</u>

Additional information of the District's long-term debt can be found in Note 6 included in this report.

CURRENT ISSUES

The Yazoo County School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. In addition, the District's system of financial planning, budgeting and internal controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

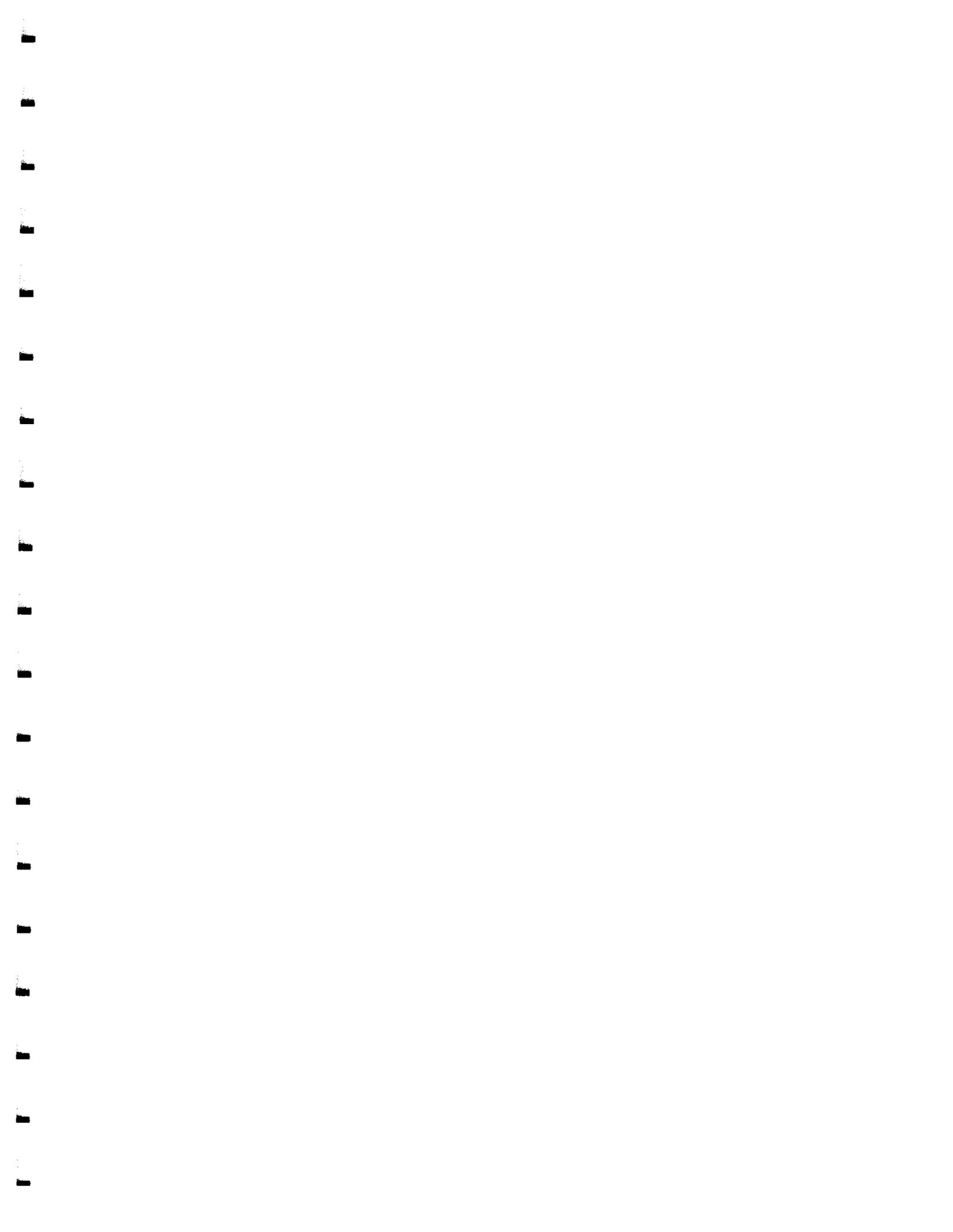
The District actively pursues grant funding to supplement the local, state and federal revenue.

Enrollment for the 2007-2008 year decreased by 3.25% to 1,759 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Yazoo County School District, 119 W. Jefferson Street, Yazoo City, Mississippi 39194.

FINANCIAL STATEMENTS



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

Exhibit A

Governmental
 Activities

Assets	
Cash and cash equivalents (Note 2)	\$ 2,503,651
Due from other governments	410,298
Other receivables, net	7,911
Inventories	28,524
Restricted assets (Note 4)	442,227
Capital assets, not being depreciated (Note 5)	
Land	413,786
Capital assets, net of accumulated depreciation (Note 5)	
Buildings	8,880,217
Building improvements	4,913,573
Improvements other than buildings	540,996
Mobile equipment	109,945
Furniture and equipment	<u>147,586</u>
Total Assets	<u>18,398,714</u>
Liabilities	
Accounts payable and accrued liabilities	19,706
Unearned revenue	16,294
Interest payable on long-term liabilities	53,523
Long-term liabilities (Due Within One Year): (Note 6)	
Capital related liabilities	610,000
Non-capital related liabilities	46,988
Long-term liabilities (Due Beyond One Year): (Note 6)	
Capital related liabilities	5,650,000
Non-capital related liabilities	<u>210,546</u>
Total Liabilities	<u>6,607,057</u>
Net Assets	
Invested in capital assets (net of related debt)	8,746,103
Restricted Net Assets	
Expendable:	
School-based activities	350,582
Debt service	262,789
Forestry improvements	118,819
Unemployment benefits	33,913
Non-expendable	
Sixteenth section	246,575
Unrestricted	<u>2,032,876</u>
Total Net Assets	<u>\$ 11,791,657</u>

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

YAZOO COUNTY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2008

Exhibit B

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Government Activities				
Instruction	\$ 7,853,242	\$ 212,491	\$ 1,252,503	\$(6,388,248)
Support Services	6,383,134		690,639	(5,692,495)
Non-instructional	1,081,416	137,392	893,571	(33,153)
Sixteenth Section	104,293	46,949		(57,344)
Interest and other charges on Long-term Liabilities	<u>309,198</u>			<u>(309,198)</u>
Total government activities	<u>\$ 15,734,283</u>	<u>\$ 396,832</u>	<u>\$ 2,836,713</u>	<u>\$(12,500,738)</u>
	General Revenues			
	Taxes:			
	General Purpose Levies			\$ 3,676,809
	Debt Purpose Levies			318,361
	Unrestricted Grants and Contributions:			
	State			7,667,377
	Federal			129,363
	Unrestricted Investment Earnings			119,405
	Sixteenth Section Sources			795,482
	Other			<u>76,701</u>
	Total General Revenues			<u>12,783,498</u>
	Changes in Net Assets			<u>282,760</u>
	Net Assets Beginning			11,514,774
	Prior Period Adjustments (Note 9):			<u>(5,877)</u>
	Net Assets-Beginning-Restated			<u>11,508,897</u>
	Net Assets -- Ending			<u>\$ 11,791,657</u>

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

YAZOO COUNTY SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2008

Exhibit C

	General Fund	Title I - A Basic	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 2,015,063	\$ 1,019	\$ 734,144	\$ 2,750,226
Investments			87,699	87,699
Due from other governments	207,206	93,235	203,715	504,156
Other receivables, net	135	899	6,877	7,911
Due from other funds	182,517		52,290	234,807
Inventories			28,524	28,524
Total Assets	\$ 2,404,921	\$ 95,153	\$ 1,113,249	\$ 3,613,323
Liabilities				
Accounts payable and accrued liabilities	\$ 13,708	\$ 1,019	\$ 4,979	\$ 19,706
Due to other funds	52,290	94,134	74,288	220,712
Unearned revenue			16,294	16,294
Total Liabilities	\$ 65,998	\$ 95,153	\$ 95,561	\$ 256,712
Fund Balances				
Reserved for:				
Inventory			\$ 28,524	\$ 28,524
Debt service			316,312	316,312
Unemployment benefits			33,913	33,913
Forestry improvement purposes			118,819	118,819
Permanent funds			246,575	246,575
Unreserved:				
Designated, reported in:				
Encumbrances	48,513		785	49,298
Special revenue funds			272,760	272,760
Undesignated reported in:				
General Fund	2,290,410			2,290,410
Total Fund Balances	2,338,923	-0-	1,017,688	3,356,611
Total Liabilities and Fund Balances	\$ 2,404,921	\$ 95,153	\$ 1,113,249	\$ 3,613,323

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

YAZOO COUNTY SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2008

Exhibit C-1

	<u>Amount</u>
Total Fund Balance – governmental funds	\$ 3,356,611
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$4,320,840.	15,006,103
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 6)	(6,517,534)
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>(53,523)</u>
Total net assets – governmental activities	<u>\$ 11,791,657</u>

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

YAZOO COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances –Governmental Funds
For the Year Ended June 30, 2008

Exhibit D

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Title 1 – A Basic FY 08		
Revenues:				
Local sources	\$ 4,019,891		\$ 521,268	\$ 4,541,159
State sources	7,542,107		459,426	8,001,533
Federal sources	129,364	\$ 941,899	1,560,657	2,631,920
Sixteenth section sources			842,431	842,431
Total Revenues	11,691,362	941,899	3,383,782	16,017,043
Expenditures:				
Instruction	6,680,721	456,388	697,781	7,834,890
Support services	5,213,804	407,312	295,529	5,916,645
Non-instructional services	2,616	78,199	1,008,307	1,089,122
Sixteenth section			104,293	104,293
Debt Service:				
Principal			658,957	658,957
Interest			305,369	305,369
Other			5,256	5,256
Total Expenditures	11,897,141	941,899	3,075,492	15,914,532
Excess (Deficiency) of Revenues over Expenditures	(205,779)	-0-	308,290	102,511
Other Financing Sources (Uses):				
Proceeds of loans	132,875			132,875
Operating transfers in	489,289		535,964	1,025,253
Operating transfers out	(89,532)		(935,721)	(1,025,253)
Total Other Financing Sources (Uses)	532,632	-0-	(399,757)	132,875
Net Change in Fund Balances	326,853	-0-	(91,467)	235,386
Fund Balances:				
July 1, 2007	2,011,197	-0-	1,110,729	3,121,926
Prior period adjustments	873		(7,753)	(6,880)
July 1, 2007, as restated	2,012,070	-0-	1,102,976	3,115,046
Increase in reserve for inventory			6,179	6,179
June 30, 2008	<u>\$ 2,338,923</u>	<u>-0-</u>	<u>\$ 1,017,688</u>	<u>\$ 3,356,611</u>

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

YAZOO COUNTY SCHOOL DISTRICT

Exhibit D-1

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

Net change in fund balances – governmental funds	\$ 235,386
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 \$10,350 and the depreciation expense amounted to \$483,589.	(473,239)
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 Activity.	658,957
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.	1,427
4. Proceeds of loans are reported in the governmental funds, but are not reported in the Statement of Activities	(132,875)
5. Increase in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are decreased in the Statement of Activities	6,179
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	<u>(13,075)</u>
Change in net assets of governmental activities	<u>\$ 282,760</u>

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

YAZOO COUNTY SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2008

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and Cash Equivalents	\$ <u>587,918</u>
Total Assets	\$ <u>587,918</u>
Liabilities	
Accounts Payable and Accrued Liabilities	573,823
Due to Other Funds	<u>14,095</u>
Total Liabilities	\$ <u>587,918</u>

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

YAZOO COUNTY SCHOOL DISTRICT

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

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five-member board to which each member was elected by the citizens of each defined county district.

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

Blended Component Unit.

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

The Corporation 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 a 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 the Corporation'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 11).

B. Basis of Presentation

Government-wide Financial Statements:

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

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

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

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

YAZOO COUNTY SCHOOL DISTRICT

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

Fund Financial Statements:

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

The school district reports the following major governmental funds:

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

Title I – A Basic, FY08 – This is the school district's major federal program for improving basic programs operated by local educational agencies.

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

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

The school district reports the following fiduciary funds:

Yazoo County High School Club Fund – This is the fund for reporting resources held for the high school's clubs.

Yazoo County Jr High School Club Fund - This is the fund for reporting resources held for the junior high school's clubs.

Linwood Elementary School Club Fund – This is the fund for reporting resources held for the Linwood Elementary school's clubs.

Payroll Clearing Fund – This is the fund which collects resources from other funds and then pays the payroll and payroll related expenditures for those funds.

Accounts Payable Clearing Fund – This is the fund which collects resources from the other funds and then pays the expenditures for those funds.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

FIDUCIARY FUNDS

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

C. Measurement Focus and Basis of Accounting.

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting as are the Fiduciary Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred or economic asset used, regardless of

YAZOO COUNTY SCHOOL DISTRICT

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

the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

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

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

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

D. Account Classifications

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

E. Encumbrances.

An encumbrance system is maintained to account for commitments resulting from approved purchase orders, work orders and contracts. Encumbrances outstanding at year-end are reported as designation of fund balances since they do not constitute expenditures or liabilities.

F. Assets, liabilities and net assets or equity.

1. Cash, Cash Equivalents and Investments.

Cash and cash equivalents.

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

YAZOO COUNTY SCHOOL DISTRICT

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

Investments.

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

For accounting purposes, certificates of deposit are classified as investments if they have a maturity greater than 3 months when acquired.

Investments for the district, as well as for its component units are reported at fair market value.

2. Receivables and payables.

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

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

3. Due from Other Governments.

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

4. Inventories and Prepaid Items.

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

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

5. Restricted Assets.

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

6. Capital Assets

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

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

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

YAZOO COUNTY SCHOOL DISTRICT

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

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

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

7. Compensated Absences

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

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

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

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

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

9. Fund equity.

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

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

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

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

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

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

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

Reserved for 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.

YAZOO COUNTY SCHOOL DISTRICT

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

Unreserved – designated for, reported in encumbrances – An account that represents the balance of outstanding purchase orders, work orders, and contracts that relate to unperformed contracts for goods and services.

Unreserved, designated for, reported in special revenue funds – An account that represents a portion of the unreserved fund balance that the school board has specifically obligated for future uses.

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

(2) Cash and Cash Equivalents, and Investments.

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

Investments. Section 29-3-113 and 37-59-43, Miss Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. Investment income on bonds 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 \$2,750,226 and \$587,918, respectively. The bank balance was \$4,233,855.

Custodian Credit Risk – Deposits. Custodian 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 formal deposit policy for custodian credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the District. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the District. As of June 30, 2008, none of the District's bank balance of \$4,233,855 was exposed to custodial credit risk.

Investments.

As of June 30, 2008, the district had the following investments. All investments are in the internal investment pool.

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Market</u>	<u>Rating</u>
U. S. Treasury Bills	Less than 1	\$87,699	AA
Total Investments		\$87,699	

YAZOO COUNTY SCHOOL DISTRICT

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

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

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

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

Concentration of Credit Risk. Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U. S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2007, the district had the following investments:

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
U. S. Treasury Bills	<u>\$87,699</u>	100%

(3) Interfund Receivables, Payables and Transfers.

The following is a summary of interfund transactions and balances:

A. Due From To Other Funds:

Receivable Fund	Payable Fund	Amount
General fund	Title 1-A Basic	\$94,134
	Other governmental funds	74,288
	Fiduciary funds	14,095
Other governmental fund	General fund	<u>52,290</u>
Total		<u>\$234,807</u>

The purpose of the interfund loans was to cover federal funds not received prior to year-end and to eliminate deficit cash balances.

B. Interfund Transfers.

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 89,532
	General Fund	489,289
Other governmental funds	Other governmental funds	<u>446,432</u>
Total		<u>\$1,025,253</u>

The purpose of interfund transfers was to provide funds for daily operations, for debt service payments and transfer expendable funds from sixteenth section principal to sixteenth section interest.

(4) Restricted Assets:

YAZOO COUNTY SCHOOL DISTRICT

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

The restricted assets represent the cash balance totaling \$246,575 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the investment balance totaling \$87,699 and the receivable balance totaling \$107,953 of the MAEP Limited Obligation Bond Fund.

(5) Capital Assets.

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

	Balance 7-1-2007	Additions	Retirements	Corrections	Balance 6-30-2008
<u>Non-depreciable capital assets:</u>					
Land	\$ 413,786				\$ 413,786
Total non-depreciable Capital assets	\$ 413,786				\$ 413,786
<u>Depreciable capital assets:</u>					
Buildings	11,036,757				11,036,757
Building improvements	5,805,443				5,805,443
Improvements other than buildings	778,473				778,473
Mobile equipment	526,301				526,301
Furniture and equipment	755,833	\$ 10,350			766,183
Total depreciable capital assets	18,902,807	10,350	-0-	-0-	18,913,157
Less accumulated depreciation for:					
Buildings	1,944,631	211,909			2,156,540
Building improvements	782,144	109,726			891,870
Improvements other the buildings	185,201	52,276			237,477
Mobile equipment	398,376	18,983		(1,003)	416,356
Furniture & equipment	527,902	90,695			618,597
Total accumulated depreciation	3,838,254	483,589	-0-	(1,003)	4,320,840
Total depreciable capital assets, net	15,064,553	(473,239)	-0-	1,003	14,592,317
Governmental activities capital assets, net	\$ 15,478,339	\$ (473,239)	-0-	\$ 1,003	\$ 15,006,103

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 5,277
Support services	476,839
Non-instructional	1,473
Total depreciation expense	\$ 483,589

(6) Long-term liabilities.

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

	Balance 7-1-2007	Additions	Retirements	Balance 06/30/2008	Amounts Due Within One Year
A. Limited obligation bonds payable	\$ 990,000		\$ 165,000	\$ 825,000	\$ 170,000
B. Trust certificates payable	3,480,000		225,000	3,255,000	235,000
C. Three-mill notes payable	2,400,000		220,000	2,180,000	205,000
D. Shortfall notes payable	48,957	\$ 132,875	48,957	132,875	42,268
E. Compensated absences payable	111,584	13,075		124,659	4,720
Total	\$7,030,541	\$ 145,950	\$ 658,957	\$ 6,517,534	\$ 656,988

YAZOO COUNTY SCHOOL DISTRICT

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

A. Limited obligation bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement bonds	4.3 – 5.7%	02/01/1998	02/13/2013	\$ 1,760,000	\$ 825,000
Total				\$ 1,760,000	\$ 825,000

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

Year Ending June 30	Principal	Interest	Total
2009	\$ 170,000	\$ 36,775	\$ 206,775
2010	180,000	29,295	209,295
2011	190,000	21,375	211,375
2012	200,000	12,825	212,825
2013	85,000	3,825	88,825
Total	\$ 825,000	\$ 104,095	\$ 929,095

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

B. Trust certificates payable.

As more fully explained in Note 11, trust certificates have been issued by the school district. Trust certificates currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Trust certificates (lease)Series 2003	2.30 – 5.15%	05/01/2002	05/19/2019	\$4,500,000	\$ 3,255,000
Total				\$4,500,000	\$ 3,255,000

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

Year Ending June 30	Principal	Interest	Total
2009	\$ 235,000	\$ 155,555	\$ 390,555
2010	245,000	145,568	390,568
2011	255,000	134,910	389,910
2012	265,000	123,562	388,562
2013	280,000	111,505	391,505
2014-2018	1,605,000	344,350	1,949,350
2019	370,000	19,055	389,055
Total	\$3,255,000	\$ 1,034,505	\$ 4,289,505

This debt will be retired from the lease purchase debt retirement fund.

YAZOO COUNTY SCHOOL DISTRICT

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

C. Three-mill notes payable.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
3-mill 15 year limited tax note, Series 2	2.40-4.55%	01/01/2001	12/01/2016	\$3,580,000	\$2,180,000
Total				<u>\$3,580,000</u>	<u>\$2,180,000</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	\$ 205,000	\$ 86,876	\$ 291,876
2010	215,000	78,996	293,996
2011	225,000	70,470	295,470
2012	230,000	61,483	291,483
2013	240,000	51,932	291,932
2014- 2017	<u>1,065,000</u>	<u>97,799</u>	<u>1,162,799</u>
Total	<u>\$ 2,180,000</u>	<u>\$ 447,556</u>	<u>\$ 2,627,556</u>

This debt will be retired from the debt retirement fund.

D. Shortfall notes payable.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
2007 Shortfall note	4.65%	08/15/2007	08/14/2010	\$ 132,875	\$ 132,875
Total				<u>\$ 132,875</u>	<u>\$ 132,875</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	\$ 42,268	\$ 6,264	\$ 48,532
2010	44,260	4,272	48,532
2011	<u>46,347</u>	<u>2,185</u>	<u>48,532</u>
Total	<u>\$ 132,875</u>	<u>\$ 12,721</u>	<u>\$ 145,596</u>

This debt will be retired from the shortfall note retirement fund.

E. Compensated absences payable.

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

YAZOO COUNTY SCHOOL DISTRICT

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

(7) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The rate for fiscal year ended June 30, 2008 was 11.85% of annual covered payroll. The contributions 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 \$982,131, \$928,835 and \$832,356, respectively, which equaled the required contributions for each year.

(8) Sixteenth Section Lands.

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

<u>Year Ending June 30</u>	<u>Amount</u>
2009	\$ 604,145
2010	484,624
2011	326,879
2012	209,501
2013	33,054
2014-2018	69,270
2019-2023	40,405
2024-2028	7,447
2029-2033	4,784
Thereafter	<u>0</u>
Total	<u>\$ 1,780,109</u>

9) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B – Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>
1. Correct posting of prior year expenditure fund code	\$ 1,500
2. Correct posting of prior year expenditure fund code	(627)
3. Correct posting of prior year expenditure fund code	(1,500)
4. Correct posting of prior year expenditure fund code	627
5. Record prior year revenue included in deferred revenue	(6,880)
6. Correct prior year depreciation expense	<u>1,003</u>
Total	<u>\$(5,877)</u>

YAZOO COUNTY SCHOOL DISTRICT

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

Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances

<u>Major Funds:</u>	<u>Explanations</u>	<u>Amount</u>
General Fund	Correct posting of prior year expenditure fund code	\$ 1,500
	Correct posting of prior year expenditure fund code	(627)
Other governmental funds	Correct posting of prior year expenditure fund code	(1,500)
	Correct posting of prior year expenditure fund code	627
	Record prior year revenue included in deferred revenue	<u>(6,880)</u>
Total		<u>\$(6,880)</u>

(10) Risk Management

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

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 95 school districts and one community college and covers risks of loss arising from injuries to the member's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess up to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

(11) Trust certificates.

A trust agreement dated May 28, 2002, was executed by and between the school district and The Peoples Bank, as trustees

The trust agreement authorized the issuance of trust certificates in the principal amount of \$4,500,000. Approximately \$4,432,500 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$67,500 was used to pay the cost of insurance.

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

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

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

YAZOO COUNTY SCHOOL DISTRICT

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

(12) Vocational School Consortium.

The school district entered into a Vocational Education Agreement dated August 9, 1956, creating the Yazoo City Vocational School. This center was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The center includes the Yazoo City School District and the Yazoo County School District.

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

The Yazoo City School District has been designated as the fiscal agent for the Yazoo City Vocational School, and the operations of the consortium are included in its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

YAZOO COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule for General Fund
 For the Year Ended June 30, 2008

Schedule 1

GENERAL FUND	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
Revenue					
Local Sources	\$4,100,035	\$4,019,891	\$4,019,891	\$(80,144)	\$0
State Sources	7,716,797	7,542,107	7,542,107	(174,690)	0
Federal Sources	166,971	129,363	129,364	(37,608)	1
Sixteenth Section Sources	0				
Total Revenues	<u>11,983,803</u>	<u>11,691,361</u>	<u>11,691,362</u>	<u>(292,442)</u>	<u>1</u>
Expenditures					
Instruction	6,857,827	6,699,683	6,680,721	158,144	18,962
Support Services	5,443,889	5,190,209	5,213,804	253,680	(23,595)
Non-instructional Services	2,280	2,616	2,616	(336)	0
Sixteenth Section	0	0	0	0	0
Facilities Acquisition and Construction	10,570	53,146		(42,576)	53,146
Debt Service:					
Principal	0	0	0	0	0
Interest	0	0	0	0	0
Other Debt Service	0	0	0	0	0
Total Expenditures	<u>12,314,566</u>	<u>11,945,654</u>	<u>11,897,141</u>	<u>368,912</u>	<u>48,513</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(330,763)</u>	<u>(254,293)</u>	<u>(205,779)</u>	<u>76,470</u>	<u>48,514</u>
Other Financing Sources (Uses)					
Receipt of Shortfall Note	0	132,875	132,875	132,875	
Operating Transfers In	321,748	489,289	489,289	167,541	
Operating Transfers Out	(6,196)	(89,464)	(89,532)	(83,268)	(68)
Total Other Financing Sources (Uses)	<u>315,552</u>	<u>532,700</u>	<u>532,632</u>	<u>217,148</u>	<u>(68)</u>
Net Change in Fund Balances	<u>(15,211)</u>	<u>278,407</u>	<u>326,853</u>	<u>293,618</u>	<u>48,446</u>
Fund Balances					
July 1, 2007	2,011,197	2,011,197	2,011,197	0	0
Prior Period Adjustments		874	873	874	(1)
July 1, 2007, as Restated	<u>2,011,197</u>	<u>2,012,071</u>	<u>2,012,070</u>	<u>874</u>	<u>(1)</u>
June 30, 2008	<u>\$ 1,995,986</u>	<u>\$ 2,290,478</u>	<u>\$ 2,338,923</u>	<u>\$ 294,492</u>	<u>\$ 48,445</u>

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

YAZOO COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Title I-A Basic
 For the Year Ended June 30, 2008

Schedule 2

TITLE I - A BASIC FY08	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
Revenue					
Local Sources					
State Sources					
Federal Sources	\$ 1,121,858	\$ 1,121,858	\$ 941,899		\$ (179,959)
Sixteenth Section Sources					
Total Revenues	<u>1,121,858</u>	<u>1,121,858</u>	<u>941,899</u>		<u>(179,959)</u>
Expenditures					
Instruction	483,022	491,317	456,388	(8,295)	34,929
Support Services	532,550	534,752	407,312	(2,202)	127,440
Non-instructional Services	94,269	94,274	78,199	(5)	16,075
Sixteenth Section					
Facilities Acquisition and Construction					
Debt Service:					
Principal					
Interest					
Other Debt Service					
Total Expenditures	<u>1,109,841</u>	<u>1,120,343</u>	<u>941,899</u>	<u>(10,502)</u>	<u>178,444</u>
Excess (Deficiency) of Revenues over Expenditures	<u>12,017</u>	<u>1,515</u>		<u>(10,502)</u>	<u>(1,515)</u>
Other Financing Sources (Uses)					
Insurance Loss Recoveries					
Sale of Transportation Equipment					
Sale of Other Property					
Operating Transfers In					
Operating Transfers Out					
Total Other Financing Sources (Uses)					
Net Change in Fund Balances	12,017	1,515		(10,502)	(1,515)
Fund Balances					
July 1, 2007					
Prior Period Adjustments					
July 1, 2007, as restated					
June 30, 2008	<u>\$ 12,017</u>	<u>\$ 1,515</u>		<u>\$ (10,502)</u>	<u>\$ (1,515)</u>

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

YAZOO COUNTY SCHOOL DISTRICT

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

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

YAZOO COUNTY 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:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 212,141
National school lunch program	10.555	<u>598,529</u>
Total U. S. Department of Agriculture		<u>810,670</u>
<u>U.S. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	<u>64,692</u>
Total U. S. Department of Defense		<u>64,692</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I – grants to local educational agencies	84.010	941,900
Rural education	84.358	54,360
Improving teacher quality state grants	84.367	233,835
Safe and drug-free schools and communities – state grants	84.186	23,104
Transition to teaching	84.350	<u>10,196</u>
Total		<u>1,263,395</u>
Special education cluster:		
Special education-grants to states	84.027	410,261
Special education – preschool grants	84.173	<u>18,231</u>
Total		<u>428,492</u>
Total passed through Mississippi Department of Education		<u>1,691,887</u>
Total U.S. Department of Education		<u>1,691,887</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	<u>64,672</u>
Total Federal Communications Commission		<u>64,672</u>
Total for All Federal Awards		<u>\$ 2,631,921</u>

NOTES TO SCHEDULE

NOTES TO SCHEDULE

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

Yazoo County School District
 Schedule of Instructional, Administration and Other Expenditures – Governmental Funds
 For the Year Ended June 30, 2008

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 11,109,941	\$ 7,951,023	\$ 703,064	\$ 933,969	\$ 1,521,885
Other	<u>4,804,591</u>	<u>626,028</u>	<u>207,292</u>	<u>41,309</u>	<u>3,929,962</u>
Total	<u>\$ 15,914,532</u>	<u>\$ 8,577,051</u>	<u>\$ 910,356</u>	<u>\$ 975,278</u>	<u>\$ 5,451,847</u>
Total number of students*	<u>1,893</u>				
Cost per student	<u>\$ 8,407</u>	<u>\$ 4,531</u>	<u>\$ 481</u>	<u>\$ 515</u>	<u>\$ 2,880</u>

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

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

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

School Administration – includes expenditures for the following functions: Support Services – School Administration (2400s); Support Services – Business (2500's).

Other – includes expenditures for the following functions: Support Services - Students(2100s); Support Services – Instructional Staff (2200s); Support Services – Operation and Maintenance of Plant Services (2600s); Support Services – Student Transportation Services (2700s); Support Services Central (2800s); Non-instructional Services (3100s); Sixteenth Section (4000s); Facilities Acquisition and Construction Services (5000s); and Debt Service (6000s).

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

YAZOO COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund
Last Four Years

"UNAUDITED"

	2008	2007*	2006*	2005*
Revenues:				
Local sources	\$4,019,891	\$3,992,439	\$3,958,103	\$3,876,196
State sources	7,542,107	7,251,730	6,899,326	6,397,285
Federal sources	129,364	178,405	308,848	112,330
Sixteenth section sources				
Total Revenues	<u>11,691,362</u>	<u>11,422,574</u>	<u>11,166,277</u>	<u>10,385,811</u>
Expenditures:				
Instruction	6,680,721	6,914,517	6,923,995	6,327,684
Support services	5,213,804	5,077,804	5,072,514	4,665,777
Noninstructional services	2,616	2,558	1,705	910
Sixteenth section				
Facilities acquisition and construction			83,507	100,338
Debt Service:				
Principal				
Interest				
Other				
Total Expenditures	<u>11,897,141</u>	<u>11,994,879</u>	<u>12,081,721</u>	<u>11,094,709</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(205,779)</u>	<u>(572,305)</u>	<u>(915,444)</u>	<u>(708,898)</u>
Other Financing Sources (Uses):				
Proceeds of loans	132,875			141,221
Insurance loss recoveries		428,603	3,345	6,087
Sale of transportation equipment		13,050		
Sale of other property		246,549	500	
Operating transfers in	489,289	597,260	1,404,047	1,535,625
Operating transfers out	(89,532)	(125,000)	(1,033,650)	(957,335)
Total Other Financing Sources (Uses)	<u>532,632</u>	<u>1,160,462</u>	<u>374,242</u>	<u>725,598</u>
Net Change in Fund Balances	<u>326,853</u>	<u>588,157</u>	<u>(541,202)</u>	<u>16,700</u>
Fund Balances:				
July 1	2,011,197	1,406,023	2,068,642	2,054,231
Prior period adjustments	873	17,017	(121,417)	(2,289)
July 1, as restated	<u>2,012,070</u>	<u>1,423,040</u>	<u>1,947,225</u>	<u>2,051,942</u>
Increase in reserve for inventory				
June 30	<u>\$ 2,338,923</u>	<u>\$ 2,011,197</u>	<u>\$ 1,406,023</u>	<u>\$ 2,068,642</u>

*Source-prior year audit reports

YAZOO COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
All Governmental Funds
Last Four Years

"UNAUDITED"

	<u>2008</u>	<u>2007*</u>	<u>2006*</u>	<u>2005*</u>
Revenues:				
Local sources	\$4,541,159	\$4,547,066	\$4,469,818	\$4,434,142
State sources	8,001,533	7,602,952	7,248,517	6,717,306
Federal sources	2,631,920	2,708,590	2,882,076	2,811,346
Sixteenth section sources	842,431	944,147	1,020,420	708,924
Total Revenues	<u>16,017,043</u>	<u>15,802,755</u>	<u>15,620,831</u>	<u>14,671,718</u>
Expenditures:				
Instruction	7,834,890	7,991,977	8,124,312	7,491,009
Support services	5,916,645	5,849,135	5,723,324	5,524,270
Noninstructional services	1,089,122	1,078,718	1,031,144	984,307
Sixteenth section	104,293	59,929	211,189	86,769
Facilities acquisition and construction		6,156	83,507	100,338
Debt Service:				
Principal	658,957	667,049	645,215	630,995
Interest	305,369	330,529	354,270	371,284
Other	5,256	5,144	6,415	4,609
Total Expenditures	<u>15,914,532</u>	<u>15,988,637</u>	<u>16,179,376</u>	<u>15,193,581</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>102,511</u>	<u>(185,882)</u>	<u>(558,545)</u>	<u>(521,863)</u>
Other Financing Sources (Uses)				
Proceeds of loans	132,875			141,221
Insurance loss recoveries		428,603	3,345	6,087
Sale of transportation equipment		13,050		
Sale of other property		246,549	500	
Operating transfers in	1,025,253	1,133,755	2,000,924	2,075,966
Operating transfers out	(1,025,253)	(1,133,755)	(2,000,924)	(2,075,966)
Total Other Financing Sources (Uses)	<u>132,875</u>	<u>688,202</u>	<u>3,845</u>	<u>147,308</u>
Net Change in Fund Balances	<u>235,386</u>	<u>502,320</u>	<u>(554,700)</u>	<u>(374,555)</u>
Fund Balances:				
July 1	3,121,926	2,604,286	3,273,315	3,646,369
Prior period adjustments	(6,880)	17,017	(120,031)	591
July 1, as restated	<u>3,115,046</u>	<u>2,621,303</u>	<u>3,153,284</u>	<u>3,646,960</u>
Increase in reserve for inventory	<u>6,179</u>	<u>(1,697)</u>	<u>5,702</u>	<u>910</u>
June 30	<u>\$3,356,611</u>	<u>\$3,121,926</u>	<u>\$2,604,286</u>	<u>\$3,273,315</u>

*Source-prior year audit reports

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

May 29, 2009

Superintendent and School Board
Yazoo County School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Yazoo County School District as of and for the year ended June 30, 2008, which collectively comprise Yazoo County School District's basic financial statements, and have issued my report thereon dated May 29, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I 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, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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


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

May 29, 2009

Superintendent and School Board
Yazoo County School District

Compliance

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

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

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

Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or 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.

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

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



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

May 29, 2009

Superintendent and School Board
Yazoo County School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Yazoo County School District as of and for the year ended June 30, 2008, which collectively comprise Yazoo County School District's basic financial statements, and have issued my report thereon dated May 29, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss Code Ann (1972), relating to classroom supply funds". As required by the state legal compliance audit program prescribed by the Office of the State Auditor, I 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 my audit and, accordingly, I do not express such an opinion.

The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$8,408 of classroom supply funds carried over from previous years.

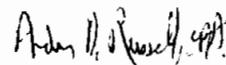
Section 37-9-18(3)(b), Miss Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

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

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, I 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 my audit and, accordingly, I do not express such an opinion.

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

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



Ardis D. Russell, C.P.A.

YAZOO COUNTY SCHOOL DISTRICT

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

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | |
|--|---------------|
| 4. Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| 6. Any audit finding(s) reported as required by section __.510(a) of Circular A-133? | No |
| 7. Federal programs identified as major programs: | |
| a. Child Nutrition Cluster | |
| CFDA # 10.553 | |
| CFDA # 10.555 | |
| 8. The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. Auditee qualified as low-risk auditee? | Yes |
| 10. Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section _____.315(b) of OMB Circular A-133? | No |

Section 2: Financial Statements Findings

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

Section 3: Federal Award Findings and Questioned Costs

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