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JEFFERSON COUNTY SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2010

JEFFERSON COUNTY SCHOOL DISTRICT

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JEFFERSON COUNTY SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

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

Superintendent and School Board  
Jefferson County School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson County School District as of and for the year ended June 30, 2010, which collectively comprise the Jefferson County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Jefferson County School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson County School District, as of June 30, 2010, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2011, on our consideration of the Jefferson County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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

Watkins, Ward and Stafford, PLLC  
Jackson, Mississippi  
April 13, 2011

*Watkins Ward and Stafford PLLC*

JEFFERSON COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

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JEFFERSON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010

The discussion and analysis of Jefferson County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this District's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the District's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

### FINANCIAL HIGHLIGHTS

- Total net assets for 2010 increased \$478,895, net of a prior period adjustment of \$6,031, which represents an 11% increase from fiscal year 2009.
- General revenues amounted to \$9,924,952 and \$9,506,489, or 74% and 76% of all revenues for fiscal years 2010 and 2009, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,426,113, or 26% of total revenues for 2010, and \$2,970,673, or 24% of total revenues for 2009.
- The District had \$12,866,139 and \$12,842,991 in expenses for fiscal years 2010 and 2009; only \$3,426,113 for 2010 and \$2,970,673 for 2009 of these expenses was offset by program specific charges for services and grants and contributions. General revenues of \$9,924,952 for 2010 were adequate to provide for these programs. However, general revenues of \$9,506,489 for 2009 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$8,209,750 in revenues and \$8,384,784 in expenditures for 2010, and \$8,978,031 in revenues and \$9,203,421 in expenditures in 2009. The General Fund's fund balance decreased by \$601,109 from 2009 to 2010, and decreased by \$708,815, net of a prior period adjustment of \$5,586, from 2008 to 2009.
- Capital assets, net of accumulated depreciation, decreased by \$116,647 for 2010 and increased by \$85,144 for 2009. The decrease for 2010 was due to the disposal of mobile equipment and furniture and equipment as well as the increase in accumulated depreciation.
- Long-term debt decreased by \$367,833 for 2010 and decreased by \$189,624 for 2009. The decrease for 2010 was due primarily to the principal payments on outstanding long-term debt.

### OVERVIEW OF THE 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 supplemental information in addition to the basic financial statements themselves.

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

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

The Statement of Activities presents information showing how the District's net assets changed during the most

JEFFERSON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010

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-term view of the School District's operations.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. The governmental fund's balance sheet is reconciled to the statement of net assets, and the governmental fund's statement of revenues, expenditures, and changes in fund balances is reconciled to the statement of activities 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 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 supplemental 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 major special revenue fund.

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

JEFFERSON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010

Also, included in the other supplemental information section are 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. This information 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.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets.** Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$4,949,121 as of June 30, 2010.

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 at June 30, 2010 and June 30, 2009.

**Table 1**  
**Condensed Statement of Net Assets**

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Percentage Change</u>
Current assets	\$ 3,684,768	\$ 3,554,201	3.67 %
Restricted assets	349,793	255,388	36.97 %
Capital assets, net	3,280,162	3,396,809	(3.43) %
<b>Total assets</b>	<b><u>7,314,723</u></b>	<b><u>7,206,398</u></b>	<b>1.50 %</b>
Current liabilities	108,890	111,627	(2.45) %
Long-term debt outstanding	2,256,712	2,624,545	(14.02) %
<b>Total liabilities</b>	<b><u>2,365,602</u></b>	<b><u>2,736,172</u></b>	<b>(13.54) %</b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	2,317,211	2,021,667	14.62 %
Restricted	3,299,159	2,469,989	33.57 %
Unrestricted	(667,249)	(21,430)	(3,013.62) %
<b>Total net assets</b>	<b><u>\$ 4,949,121</u></b>	<b><u>\$ 4,470,226</u></b>	<b>10.71 %</b>

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

- Decrease in net capital assets in the amount of \$116,647.
- The principal retirement of \$430,691 of long-term debt.

**Changes in net assets.** The District's total revenues for the fiscal years ended June 30, 2010 and June 30, 2009 were \$13,351,065 and \$12,477,162, respectively. The total cost of all programs and services was \$12,866,139 for 2010 and \$12,842,991 for 2009. Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2010 and June 30, 2009.

JEFFERSON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010

**Table 2**  
**Change(s) in Net Assets**

	<u>Year Ended</u> <u>June 30, 2010</u>	<u>Year Ended</u> <u>June 30, 2009</u>	<u>Percentage</u> <u>Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 280,996	\$ 160,892	74.65 %
Operating grants and contributions	3,145,117	2,770,771	13.51 %
Capital Grants and Contributions	-	39,010	(100.00) %
General revenues:			
Property taxes	2,212,051	2,223,124	(0.50) %
Grants and contributions not restricted	6,829,890	7,045,069	(3.05) %
Investment earnings	20,016	25,587	(21.77) %
Sixteenth section sources	849,646	194,296	337.29 %
Other	13,349	18,413	(27.50) %
<b>Total revenues</b>	<b><u>13,351,065</u></b>	<b><u>12,477,162</u></b>	<b>7.00 %</b>
<b>Expenses:</b>			
Instruction	6,720,794	6,549,249	2.62 %
Support services	5,129,580	5,135,711	(0.12) %
Non-instructional	832,221	993,225	(16.21) %
Sixteenth section	44,964	29,878	50.49 %
Interest and other expense on long-term liabilities	138,580	134,928	2.71 %
<b>Total expenses</b>	<b><u>12,866,139</u></b>	<b><u>12,842,991</u></b>	<b>0.18 %</b>
<b>Increase (Decrease) in net assets</b>	<b><u>484,926</u></b>	<b><u>(365,829)</u></b>	<b>232.56 %</b>
<b>Net Assets, July 1, as originally reported</b>	<b><u>4,470,226</u></b>	<b><u>4,829,047</u></b>	<b>(7.43) %</b>
<b>Prior Period Adjustments</b>	<b><u>(6,031)</u></b>	<b><u>7,008</u></b>	<b>(186.06) %</b>
<b>Net Assets Restated, July 1</b>	<b><u>4,464,195</u></b>	<b><u>4,836,055</u></b>	<b>(7.69) %</b>
<b>Net Assets, June 30</b>	<b><u>\$ 4,949,121</u></b>	<b><u>\$ 4,470,226</u></b>	<b>10.71 %</b>

**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 functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

JEFFERSON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010

**Table 3**  
**Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2010</u>	<u>2009</u>	
Instruction	\$ 6,720,794	\$ 6,549,249	2.62 %
Support services	5,129,580	5,135,711	(0.12) %
Non-instructional	832,221	993,225	(16.21) %
Sixteenth section	44,964	29,878	50.49 %
Interest on long-term liabilities	138,580	134,928	2.71 %
<b>Total expenses</b>	<b>\$ 12,866,139</b>	<b>\$ 12,842,991</b>	<b>0.18 %</b>

  

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2010</u>	<u>2009</u>	
Instruction	\$ (5,382,930)	\$ (5,253,468)	2.46 %
Support services	(4,173,004)	(4,279,597)	(2.49) %
Non-instructional	183,141	(175,442)	(204.39) %
Sixteenth section	71,347	(28,883)	(347.02) %
Interest on long-term liabilities	(138,580)	(134,928)	2.71 %
<b>Total net (expense) revenue</b>	<b>\$ (9,440,026)</b>	<b>\$ (9,872,318)</b>	<b>(4.38) %</b>

- Net cost of governmental activities in the amount of \$9,440,026 for 2010 and \$9,872,318 for 2009 was financed by general revenue, which is made up of primarily property taxes of \$2,212,051 for 2010 and \$2,223,124 for 2009 and state and federal revenues of \$6,829,890 for 2010 and \$7,045,069 for 2009. In addition, there was \$849,646 and \$194,296 in Sixteenth Section sources for 2010 and 2009, respectively.
- Investment earnings amounted to \$20,016 for 2010 and \$25,587 for 2009.

**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 \$3,950,915, an increase of \$208,771, which includes an increase in reserve for inventory of \$11,048. This increase is due primarily to sixteenth section sources generated during the fiscal year mainly from the sale of timber and sixteenth section lease revenue. \$2,946,984, or 75%, of the fund balance represents unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$1,003,931, or 25%, is reserved or designated to indicate that it is not available for spending because it has already been committed. This portion of the fund balance is reserved for inventory, capital projects, debt service, unemployment benefits, forestry improvement purposes and permanent fund purposes.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$601,109, due primarily to transfers to other governmental funds for operating purposes. The fund balance of Other Governmental Funds showed an increase in the amount of \$165,320, which includes an

JEFFERSON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010

increase in reserve for inventory of \$11,048. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Fund	no increase or decrease
Title II Fund	no increase or decrease
E2T2 Grant Fund	no increase or decrease
ARRA Part B Fund	no increase or decrease
Sixteenth Section Interest Fund	\$ 644,560

### BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District. Significant budget revisions during the year are explained as follows:

- Budgeted amounts for revenue from state sources in the General Fund were decreased during the fiscal year to reflect a decrease in Mississippi Adequate Education Program (MAEP) funds resulting from budget cuts. However, the District did receive approximately \$500,000 in Budget Stabilization funds that were reported in a special revenue fund. The budget was also revised to reflect the federal revenue received and reported in the Budget Stabilization Fund because this funding was received subsequent to the approval of the original budget.
- Budgeted amounts for instruction expenditures in the General Fund were decreased during the fiscal year. This decrease is primarily a result of the reclassification of expenditures normally incurred in the General Fund to the Budget Stabilization Fund (special revenue fund) and federal funds were received to cover those expenditures. The budget was also revised to reflect the federal revenue received and expenditures incurred in the Budget Stabilization Fund. The funding was received subsequent to the approval of the original budget.
- The District revised the budget to reflect revenue from federal sources and instruction and support services expenditures in various special revenue funds which received funding under the American Recovery and Reinvestment Act (ARRA). These federal sources provided additional funding for programs under Part B of IDEA and Title I. However, this additional funding was received subsequent to the approval of the original budget.
- Budgeted amounts for sixteenth section sources in the Sixteenth Section Interest Fund were increased during the fiscal year resulting from an increase in timber sales.
- The District revised the budget to reflect the transfer of expendable sixteenth section sources from the Sixteenth Section Interest Fund to the General Fund.

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

### CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2010, the District's total capital assets were \$7,244,266, including land, school buildings, building improvements and other improvements, buses, other school vehicles, furniture and equipment and leased property under capital leases. This amount represents a gross decrease of \$61,993 from 2009. During the fiscal year, the District purchased a van and various items of food service equipment and other equipment. The District also disposed of four school buses and other equipment. Total accumulated depreciation as of June 30, 2010, was \$3,964,104, and total depreciation expense for the year was \$201,649, resulting in total net capital assets of \$3,280,162.

JEFFERSON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010

**Table 4  
Capital Assets**

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Percentage Change</u>
Land	\$ 19,828	\$ 19,828	0.00 %
Buildings	1,832,604	1,866,616	(1.82) %
Building improvements	547,451	576,264	(5.00) %
Improvements other than buildings	88,301	92,294	(4.33) %
Mobile equipment	559,757	560,075	(0.06) %
Furniture and equipment	125,208	69,607	79.88 %
Leased property under capital leases	107,013	212,125	(49.55) %
<b>Total</b>	<b>\$ 3,280,162</b>	<b>\$ 3,396,809</b>	<b>(3.43) %</b>

**Debt Administration.** At June 30, 2010, the District had \$2,256,712 in outstanding long-term debt, of which \$441,588 is due within one year. During the fiscal year, the District made principal payments totaling \$430,691 on outstanding long-term debt. The District also refunded the limited obligation bonds payable during the fiscal year. The liability for compensated absences increased slightly from the prior year.

**Table 5  
Outstanding Long-Term Debt**

	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ -	\$ 65,000	(100.00) %
Limited obligation bonds payable	1,775,000	1,830,000	(3.01) %
Shortfall notes payable	312,000	524,000	(40.46) %
Obligations under capital leases	75,451	114,142	(33.90) %
Compensated absences payable	94,261	91,403	3.13 %
<b>Total</b>	<b>\$ 2,256,712</b>	<b>\$ 2,624,545</b>	<b>(14.02) %</b>

#### CURRENT ISSUES

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

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting and internal financial 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 revenues.

#### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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JEFFERSON COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

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JEFFERSON COUNTY SCHOOL DISTRICT  
Statement of Net Assets  
June 30, 2010

Exhibit A

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 3,325,173
Due from other governments	315,173
Other receivables, net	13,173
Inventories	31,249
Restricted assets	349,793
Capital assets, non-depreciable:	
Land	19,828
Capital assets, net of accumulated depreciation:	
Buildings	1,832,604
Building improvements	547,451
Improvements other than buildings	88,301
Mobile equipment	559,757
Furniture and equipment	125,208
Leased property under capital leases	107,013
Total Assets	<u>7,314,723</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	53,337
Due to other governments	1,303
Unearned revenue	29,006
Interest payable on long-term liabilities	25,244
Long-term liabilities, due within one year :	
Capital related liabilities	115,588
Non-capital related liabilities	326,000
Long-term liabilities, due beyond one year :	
Capital related liabilities	847,363
Non-capital related liabilities	967,761
Total Liabilities	<u>2,365,602</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	2,317,211
Restricted net assets:	
Expendable:	
School-based activities	2,351,721
Debt service	480,610
Capital improvements	63,490
Forestry improvements	151,677
Unemployment benefits	33,443
Non-expendable:	
Sixteenth section	218,218
Unrestricted	(667,249)
Total Net Assets	<u>\$ 4,949,121</u>

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

JEFFERSON COUNTY SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2010

Exhibit B

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		Governmental Activities
Governmental Activities:					
Instruction	\$ 6,720,794	113,825	1,224,039		(5,382,930)
Support services	5,129,580		956,576		(4,173,004)
Non-instructional	832,221	50,860	964,502		183,141
Sixteenth section	44,964	116,311			71,347
Interest on long-term liabilities	138,580				(138,580)
<b>Total Governmental Activities</b>	<b>\$ 12,866,139</b>	<b>280,996</b>	<b>3,145,117</b>	<b>0</b>	<b>(9,440,026)</b>
General Revenues:					
Taxes:					
					1,917,968
					294,083
Unrestricted grants and contributions:					
					6,234,200
					595,690
					20,016
					849,646
					13,349
					<u>9,924,952</u>
					<u>484,926</u>
					4,470,226
					<u>(6,031)</u>
					<u>4,464,195</u>
					<u>\$ 4,949,121</u>

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

JEFFERSON COUNTY SCHOOL DISTRICT  
 Balance Sheet - Governmental Funds  
 June 30, 2010

Exhibit C

	Major Funds							Total Governmental Funds
	General	Title I	Title II	E2T2 Grant	ARRA Part B	Sixteenth Section Interest	Other Governmental	
	Fund	Fund	Fund	Fund	Fund	Fund	Funds	
<b>Assets</b>								
Cash and cash equivalents	\$ 477,361			20,422		1,968,137	1,078,541	3,544,461
Investments							130,505	130,505
Due from other governments	118,264	17,658	15,709		14,687		148,110	314,428
Other receivables, net						13,173		13,173
Due from other funds	54,564							54,564
Inventories							31,249	31,249
<b>Total assets</b>	<b>\$ 650,189</b>	<b>17,658</b>	<b>15,709</b>	<b>20,422</b>	<b>14,687</b>	<b>1,981,310</b>	<b>1,388,405</b>	<b>4,088,380</b>
<b>Liabilities and Fund Balances</b>								
<b>Liabilities:</b>								
Accounts payable and accrued liabilities	\$ 23,444	224				28,070	1,599	53,337
Due to other funds	1,303	17,434	15,709		14,687		5,989	55,122
Unearned revenue				20,422			8,584	29,006
<b>Total Liabilities</b>	<b>24,747</b>	<b>17,658</b>	<b>15,709</b>	<b>20,422</b>	<b>14,687</b>	<b>28,070</b>	<b>16,172</b>	<b>137,465</b>
<b>Fund Balances:</b>								
<b>Reserved for:</b>								
Inventory							31,249	31,249
Capital projects							63,490	63,490
Debt service							505,854	505,854
Unemployment benefits							33,443	33,443
Forestry improvement purposes							151,677	151,677
Permanent fund purposes							218,218	218,218
<b>Unreserved:</b>								
<b>Undesignated, reported in:</b>								
General Fund	625,442							625,442
Special Revenue Funds						1,953,240	367,232	2,320,472
Permanent Funds							1,070	1,070
<b>Total Fund Balances</b>	<b>625,442</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,953,240</b>	<b>1,372,233</b>	<b>3,950,915</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 650,189</b>	<b>17,658</b>	<b>15,709</b>	<b>20,422</b>	<b>14,687</b>	<b>1,981,310</b>	<b>1,388,405</b>	<b>4,088,380</b>

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

JEFFERSON COUNTY SCHOOL DISTRICT  
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
June 30, 2010

Exhibit C-1

	<u>Amount</u>
Total Fund Balances - Governmental Funds	\$ 3,950,915
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$3,964,104.	3,280,162
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(2,256,712)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	(25,244)
Total Net Assets - Governmental Activities	\$ <u><u>4,949,121</u></u>

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

JEFFERSON COUNTY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2010

Exhibit D

	Major Funds						Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Fund	Title II Fund	E2T2 Grant Fund	ARRA Part B Fund	Sixteenth Section Interest Fund		
<b>Revenues:</b>								
Local sources	\$ 2,052,379						347,569	2,399,948
State sources	6,007,850						600,021	6,607,871
Federal sources	149,521	956,949	232,071	2,191	21,156		2,005,248	3,367,136
Sixteenth section sources						858,130	117,980	976,110
<b>Total Revenues</b>	<b>8,209,750</b>	<b>956,949</b>	<b>232,071</b>	<b>2,191</b>	<b>21,156</b>	<b>858,130</b>	<b>3,070,818</b>	<b>13,351,065</b>
<b>Expenditures:</b>								
Instruction	4,505,703	462,553	167,238	788	19,024		1,499,321	6,654,627
Support services	3,879,081	382,158	64,833	1,403	2,132		697,450	5,027,057
Noninstructional services		112,238					786,247	898,485
Sixteenth section						13,570	31,394	44,964
Debt service:								
Principal							430,691	430,691
Interest							98,342	98,342
Debt issuance cost							37,895	37,895
Other							2,681	2,681
<b>Total Expenditures</b>	<b>8,384,784</b>	<b>956,949</b>	<b>232,071</b>	<b>2,191</b>	<b>21,156</b>	<b>13,570</b>	<b>3,584,021</b>	<b>13,194,742</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(175,034)	0	0	0	0	844,560	(513,203)	156,323
<b>Other Financing Sources (Uses):</b>								
Proceeds of refunding bonds							1,890,000	1,890,000
Premium on debt issuance							25,004	25,004
Operating transfers in	355,676						781,751	1,137,427
Operating transfers out	(781,751)					(200,000)	(155,676)	(1,137,427)
Payment to refunded bond escrow agent							(1,873,604)	(1,873,604)
<b>Total Other Financing Sources (Uses)</b>	<b>(426,075)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(200,000)</b>	<b>667,475</b>	<b>41,400</b>
Special items								0
Extraordinary items								0
<b>Net Change in Fund Balances</b>	<b>(601,109)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>644,560</b>	<b>154,272</b>	<b>197,723</b>
<b>Fund Balances:</b>								
July 1, 2009	1,226,551	0	0	0	0	1,308,680	1,206,913	3,742,144
Increase (Decrease) in reserve for inventory							11,048	11,048
<b>June 30, 2010</b>	<b>\$ 625,442</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,953,240</b>	<b>1,372,233</b>	<b>3,950,915</b>

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

JEFFERSON COUNTY SCHOOL DISTRICT  
 Reconciliation of the Governmental Funds Statement of Revenues,  
 Expenditures and Changes in Fund Balances to the Statement of Activities  
 For the Year Ended June 30, 2010

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 197,723
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 \$107,343 and the depreciation expense amounted to \$201,649.	(94,306)
2. The issuance of long-term debt provides current financial resources to governmental funds but has no effect on net assets.	(1,890,000)
3. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities for governmental activities.	430,691
4. The refunding of debt is reported as a reduction of current financial resources in the governmental funds, but the refunding decreases long-term liabilities in the Statement of Net Assets.	1,830,000
5. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	18,938
6. Gains and losses on the sale or disposal of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(16,310)
7. An increase in the inventory reserve is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenses are decreased in the Statement of Activities.	11,048
8. Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Compensated absences	(2,858)
 Change in Net Assets of Governmental Activities	 \$ <u><u>484,926</u></u>

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

JEFFERSON COUNTY SCHOOL DISTRICT  
Statement of Fiduciary Assets and Liabilities  
June 30, 2010

Exhibit E

		<u>Agency Funds</u>
<b>Assets</b>		
Cash and cash equivalents	\$	621,211
Due from other funds		<u>1,303</u>
Total Assets	\$	<u><u>622,514</u></u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$	599,264
Due to other funds		745
Due to student clubs		<u>22,505</u>
Total Liabilities	\$	<u><u>622,514</u></u>

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

# JEFFERSON COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2010

### (1) Summary of Significant Accounting Policies

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

#### A. Financial Reporting Entity

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

For financial reporting purposes, Jefferson 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.

#### B. Basis of Presentation

##### Government-wide Financial Statements:

The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund 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 of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net assets consist of net assets not meeting the definition of the two preceding 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, are 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 taxes and other items not included among program revenues are reported instead as general revenues.

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2010

Fund Financial Statements:

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

The school district reports the following major governmental funds:

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

Title I Fund – This is a special revenue fund that accounts for federal sources received and expenditures incurred related to the District's Title I Program.

Title II Fund – This is a special revenue fund that accounts for federal sources received and expenditures incurred related to the District's Title II Program.

E2T2 Grant Fund – This is a special revenue fund that accounts for federal sources received and expenditures incurred for the improvement of student academic achievement through the use of technology in elementary and secondary schools.

ARRA Part B Fund - This is a special revenue fund that accounts for federal funds received under the American Recovery and Reinvestment Act (ARRA), which provides additional funding for programs under Part B of IDEA to assist the District in providing a free appropriate public education to all children with disabilities.

Sixteenth Section Interest Fund – This special revenue fund accounts for the expendable revenues associated with earnings on sixteenth section lands and the expenditures incurred for maintaining and improving sixteenth section lands.

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 assets and liabilities only. The District's fiduciary funds include the following:

Payroll Clearing Fund – This fund serves as a clearing fund for payroll type transactions.

Student Club Funds – These various funds account for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual clubs.

Accounts Payable Clearing Fund – This fund serves as a clearing fund for accounts payable type transactions.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2010

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

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

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

FIDUCIARY FUNDS

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

C. Measurement Focus and Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2010

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 inter-fund activity has been eliminated from the government-wide statements.

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

D. Account Classifications

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

E. Encumbrances

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

F. Assets, liabilities, and net assets or equity

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

Activities 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 inter-fund loans) or "advances to/from other funds" (i.e. the non-current portion of inter-fund 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

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2010

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 Statement of Net Assets 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 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets 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 table below.

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.

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2010

The following schedule details the capitalization thresholds:

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

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

The term depreciation includes amortization of intangible assets.

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 a long-term liability 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 liability for compensated absences 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 financial statements, outstanding debt is reported as liabilities. Bond issue cost, bond discounts or premiums, and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

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

9. Fund equity

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

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

## JEFFERSON COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2010

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following are descriptions 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 capital projects - An account that represents that portion of fund balance in the Capital Projects Fund which is legally restricted and not available for spending for any purpose other than that for which it is restricted.

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

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 that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

**Investments.** Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or 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, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (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 other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2010

twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of 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 \$3,544,461 and \$621,211, respectively. The carrying amount of deposits reported in the government-wide financial statements was cash and cash equivalents of \$3,325,173 and a portion of restricted assets in the amount of \$219,288 (see note 4). The bank balance was \$4,661,110.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2010, none of the district's bank balance of \$4,661,110 was exposed to custodial credit risk.

Investments

As of June 30, 2010, the district had the following investments. All investments are in an internal investment pool.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
US Treasury Cash Reserve		Less than one year	\$ 130,505
Total			\$ 130,505

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

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

*Custodial Credit Risk - Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2010, the district did not have any investments to which this would apply.

*Concentration of Credit Risk.* Disclosure 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.

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2010

(3) Inter-fund Receivables, Payables and Transfers

The following is a summary of inter-fund transactions and balances:

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>		<u>Amount</u>
General Fund	Title I Fund	\$	17,434
	Title II Fund		15,709
	ARRA Part B Fund		14,687
	Other governmental funds		5,989
	Fiduciary funds		745
Fiduciary funds	General Fund		1,303
Total		\$	<u><u>55,867</u></u>

Various inter-fund payables resulted when reimbursable award programs in other governmental funds were loaned operating cash from the General Fund as part of routine year-end closing procedures. The inter-fund balances between the General Fund and fiduciary funds consist primarily of interest earned in the fiduciary funds and payable to the General Fund. All inter-fund receivables and payables are expected to be repaid within one year.

B. Inter-fund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>		<u>Amount</u>
General Fund	Other governmental funds	\$	781,751
Sixteenth Section Interest Fund	General Fund		200,000
Other governmental funds	General Fund		155,676
Total		\$	<u><u>1,137,427</u></u>

The transfers were primarily for the following: Vocational and special educational expenditure transfers, debt service transfers, unemployment transfers, the transfer of expendable resources from the sixteenth section interest fund and the transfer of funds to close out old special revenue funds.

(4) Restricted Assets

The restricted assets represent the cash balance of \$219,288 in 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 of \$130,505 in the MAEP Limited Obligation Bond Fund.

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2010

(5) Capital Assets

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

	Balance 7/1/2009	Additions	Retirements	Completed Construction	Adjustments*	Balance 6/30/2010
Governmental Activities:						
<u>Non-depreciable capital assets:</u>						
Land	\$ 19,828					19,828
Total non-depreciable capital assets	<u>19,828</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,828</u>
<u>Depreciable capital assets:</u>						
Buildings	4,127,471					4,127,471
Building improvements	720,330					720,330
Improvements other than buildings	161,986					161,986
Mobile equipment	1,359,954	19,119	162,500		359,743	1,576,316
Furniture and equipment	398,660	88,224	6,000		(836)	480,048
Leased property under capital leases	518,030				(359,743)	158,287
Total depreciable capital assets	<u>7,286,431</u>	<u>107,343</u>	<u>168,500</u>	<u>-</u>	<u>(836)</u>	<u>7,224,438</u>
<u>Less accumulated depreciation for:</u>						
Buildings	2,260,855	34,012				2,294,867
Building improvements	144,066	28,813				172,879
Improvements other than buildings	69,692	3,993				73,685
Mobile equipment	799,879	102,773	146,250		260,157	1,016,559
Furniture and equipment	329,053	26,532	5,940		5,195	354,840
Leased property under capital leases	305,905	5,526			(260,157)	51,274
Total accumulated depreciation	<u>3,909,450</u>	<u>201,649</u>	<u>152,190</u>	<u>-</u>	<u>5,195</u>	<u>3,964,104</u>
Total depreciable capital assets, net	<u>3,376,981</u>	<u>(94,306)</u>	<u>16,310</u>	<u>-</u>	<u>(6,031)</u>	<u>3,260,334</u>
Governmental activities capital assets, net	<u>\$ 3,396,809</u>	<u>(94,306)</u>	<u>16,310</u>	<u>-</u>	<u>(6,031)</u>	<u>3,280,162</u>

Adjustments were needed to move the cost and accumulated depreciation of assets previously reported as leased property to mobile equipment once the lease was paid in full. Other immaterial adjustments were needed to correct the cost and accumulated depreciation in furniture and equipment for assets purchased and assets disposed of in prior fiscal years.

Depreciation expense was charged to the following governmental functions:

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2010

	<u>Amount</u>
Governmental activities:	
Instruction	\$ 64,166
Support services	104,618
Non-instructional	32,865
Total, Governmental activities	<u>\$ 201,649</u>

(6) Long-term Liabilities

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

	<u>Balance 7/1/2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>* Adjustments</u>	<u>Balance 6/30/2010</u>	<u>Amounts due within one year</u>
A. General obligation bonds payable	\$ 65,000		65,000		-	-
B. Limited obligation bonds payable	1,830,000	1,890,000	115,000	(1,830,000)	1,775,000	200,000
C. Shortfall notes payable	524,000		212,000		312,000	226,000
D. Obligations under capital leases	114,142		38,691		75,451	15,588
E. Compensated absences payable	91,403	2,858			94,261	-
Total	<u>\$ 2,624,545</u>	<u>1,892,858</u>	<u>430,691</u>	<u>(1,830,000)</u>	<u>2,256,712</u>	<u>441,588</u>

\* An adjustment was needed to properly reflect the refunding of the limited obligation bonds during the fiscal year.

A. General obligation bonds payable

General obligation bonds are direct obligations and pledge the full faith and credit of the school district. General obligation bonds issued on February 1, 1990 in the amount of \$700,000 were paid in full during the fiscal year.

B. Limited obligation bonds payable

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State aid capital improvement refunding bonds, Series 2009	3.00%	12/18/2009	2/1/2018	\$ <u>1,890,000</u>	<u>1,775,000</u>
Total				<u>\$ 1,890,000</u>	<u>1,775,000</u>

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

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2010

Year Ending June 30	Principal	Interest	Total
2011	\$ 200,000	53,250	253,250
2012	205,000	47,250	252,250
2013	215,000	41,100	256,100
2014	215,000	34,650	249,650
2015	225,000	28,200	253,200
2016 – 2018	715,000	42,250	757,250
Total	<u>\$ 1,775,000</u>	<u>246,700</u>	<u>2,021,700</u>

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

Current Refunding

On December 18, 2009, the district issued \$1,890,000 in state aid capital improvement refunding bonds, series 2009, with an interest rate of 3% to refund \$1,830,000 of outstanding state aid capital improvement bonds, series 1998, with an average interest rate of 4.80%. The net proceeds of \$1,873,604 after payments of \$37,895 for issuance costs were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements on the state aid capital improvement bonds, series 1998.

As a result, the state aid capital improvement bonds, series 1998, are considered to be defeased and the liability for those bonds has been removed from long-term liabilities.

The district refunded the state aid capital improvement bonds, series 1998, to reduce its total debt service payments over the remaining 9 years of the debt by approximately \$98,506 and to realize an economic gain of \$95,582.

C. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1 Shortfall note payable, Series 2007	6.03%	10/18/2007	10/18/2010	\$ 407,000	145,000
2 Shortfall note payable, Series 2008	5.10-5.30%	12/15/2008	12/15/2011	243,000	167,000
Total				<u>\$ 650,000</u>	<u>312,000</u>

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

1. Shortfall note payable issued on October 18, 2007:

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2010

Year Ending June 30	Principal	Interest	Total
2011	\$ 145,000	8,744	153,744
Total	\$ 145,000	8,744	153,744

This debt will be retired from the Debt Service Fund.

2. Shortfall notes payable issued on December 15, 2008:

Year Ending June 30	Principal	Interest	Total
2011	\$ 81,000	8,770	89,770
2012	86,000	4,558	90,558
Total	\$ 167,000	13,328	180,328

This debt will be retired from the Debt Service Fund.

Total shortfall notes payable for all issues.

Year Ending June 30	Principal	Interest	Total
2011	\$ 226,000	17,514	243,514
2012	86,000	4,558	90,558
Total	\$ 312,000	22,072	334,072

D. Obligations under capital leases

The school district has entered into lease agreements, which qualify as capital leases for accounting purposes, for the acquisition of the following:

1. Various mobile equipment at a cost of \$363,132. Lease was paid in full at year end.
2. Lighting improvements and mobile equipment at a cost of \$150,000.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series 2004A School District Lease	4.13%	8/31/2004	9/10/2014	\$ 150,000	75,451
Total				\$ 150,000	75,451

The various options available to the lessee for this lease are as follows:

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2010

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

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2011	\$ 15,588	2,957	18,545
2012	16,239	2,306	18,545
2013	16,917	1,628	18,545
2014	17,622	923	18,545
2015	9,085	188	9,273
Total	<u>\$ 75,451</u>	<u>8,002</u>	<u>83,453</u>

This debt will be retired from the Debt Service 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.

(7) Defined Benefit Pension Plan

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

**Funding Policy.** PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2010 was 12.00% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2010, 2009 and 2008 were \$875,968, \$855,882 and \$818,557, 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 there from 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.

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2010

Year Ending June 30	Amount
2011	\$ 124,257
2012	108,061
2013	5,000
2014	5,000
Total	\$ 242,318

(9) 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 63 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

(10) Subsequent Events

Events that occur after the statement of net assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net assets date require disclosure in the accompanying notes. Management of the Jefferson County School District evaluated the activity of the district through April 13, 2011, and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements:

On November 19, 2010, the district issued a revenue short fall note in the amount of \$233,000.

JEFFERSON COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION

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JEFFERSON COUNTY SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 2,279,664	2,052,379	2,052,379	(227,285)	0
State sources	7,067,849	6,007,850	6,007,850	(1,059,999)	0
Federal sources	171,500	149,521	149,521	(21,979)	0
Total Revenues	<u>9,519,013</u>	<u>8,209,750</u>	<u>8,209,750</u>	<u>(1,309,263)</u>	<u>0</u>
<b>Expenditures:</b>					
Instruction	4,941,793	4,505,703	4,505,703	436,090	0
Support services	3,811,704	3,879,081	3,879,081	(67,377)	0
Total Expenditures	<u>8,753,497</u>	<u>8,384,784</u>	<u>8,384,784</u>	<u>368,713</u>	<u>0</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>765,516</u>	<u>(175,034)</u>	<u>(175,034)</u>	<u>(940,550)</u>	<u>0</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	812,802	1,233,299	355,676	420,497	(877,623)
Operating transfers out	(1,438,515)	(1,659,374)	(781,751)	(220,859)	877,623
Total Other Financing Sources (Uses)	<u>(625,713)</u>	<u>(426,075)</u>	<u>(426,075)</u>	<u>199,638</u>	<u>0</u>
Net Change in Fund Balances	<u>139,803</u>	<u>(601,109)</u>	<u>(601,109)</u>	<u>(740,912)</u>	<u>0</u>
<b>Fund Balances:</b>					
July 1, 2009,	<u>1,226,551</u>	<u>1,226,551</u>	<u>1,226,551</u>	<u>0</u>	<u>0</u>
June 30, 2010	<u>\$ 1,366,354</u>	<u>625,442</u>	<u>625,442</u>	<u>(740,912)</u>	<u>0</u>

The notes to the required supplemental information are an integral part of this schedule.

JEFFERSON COUNTY SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 Title I Fund  
 For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 987,194	956,949	956,949	(30,245)	0
Total Revenues	<u>987,194</u>	<u>956,949</u>	<u>956,949</u>	<u>(30,245)</u>	<u>0</u>
<b>Expenditures:</b>					
Instruction	458,368	462,553	462,553	(4,185)	0
Support services	399,600	382,158	382,158	17,442	0
Noninstructional services	121,060	112,238	112,238	8,822	0
Total Expenditures	<u>979,028</u>	<u>956,949</u>	<u>956,949</u>	<u>22,079</u>	<u>0</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>8,166</u>	<u>0</u>	<u>0</u>	<u>(8,166)</u>	<u>0</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers in				0	0
Operating transfers out				0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	<u>8,166</u>	<u>0</u>	<u>0</u>	<u>(8,166)</u>	<u>0</u>
Fund Balances:					
July 1, 2009,	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
June 30, 2010	<u>\$ 8,166</u>	<u>0</u>	<u>0</u>	<u>(8,166)</u>	<u>0</u>

The notes to the required supplemental information are an integral part of this schedule.

JEFFERSON COUNTY SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 Title II Fund  
 For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 152,664	232,071	232,071	79,407	0
Total Revenues	<u>152,664</u>	<u>232,071</u>	<u>232,071</u>	<u>79,407</u>	<u>0</u>
<b>Expenditures:</b>					
Instruction	141,756	167,238	167,238	(25,482)	0
Support services	10,608	64,833	64,833	(54,225)	0
Total Expenditures	<u>152,364</u>	<u>232,071</u>	<u>232,071</u>	<u>(79,707)</u>	<u>0</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>300</u>	<u>0</u>	<u>0</u>	<u>(300)</u>	<u>0</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers in				0	0
Operating transfers out				0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	<u>300</u>	<u>0</u>	<u>0</u>	<u>(300)</u>	<u>0</u>
<b>Fund Balances:</b>					
July 1, 2009,	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
June 30, 2010	<u>\$ 300</u>	<u>0</u>	<u>0</u>	<u>(300)</u>	<u>0</u>

The notes to the required supplemental information are an integral part of this schedule.

JEFFERSON COUNTY SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 E2T2 Grant Fund  
 For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 11,909	2,191	2,191	(9,718)	0
Total Revenues	<u>11,909</u>	<u>2,191</u>	<u>2,191</u>	<u>(9,718)</u>	<u>0</u>
<b>Expenditures:</b>					
Instruction	6,836	788	788	6,048	0
Support services	5,073	1,403	1,403	3,670	0
Total Expenditures	<u>11,909</u>	<u>2,191</u>	<u>2,191</u>	<u>9,718</u>	<u>0</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers in				0	0
Operating transfers out				0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances:					
July 1, 2009,				0	0
June 30, 2010	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

The notes to the required supplemental information are an integral part of this schedule.

JEFFERSON COUNTY SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 ARRA Part B Fund  
 For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 0	21,156	21,156	21,156	0
<b>Total Revenues</b>	<u>0</u>	<u>21,156</u>	<u>21,156</u>	<u>21,156</u>	<u>0</u>
<b>Expenditures:</b>					
Instruction		19,024	19,024	(19,024)	0
Support services		2,132	2,132	(2,132)	0
<b>Total Expenditures</b>	<u>0</u>	<u>21,156</u>	<u>21,156</u>	<u>(21,156)</u>	<u>0</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers in				0	0
Operating transfers out				0	0
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net Change in Fund Balances</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balances:</b>					
July 1, 2009,	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
June 30, 2010	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

The notes to the required supplemental information are an integral part of this schedule.

JEFFERSON COUNTY SCHOOL DISTRICT  
 Budgetary Comparison Schedule  
 Sixteenth Section Interest Fund  
 For the Year Ended June 30, 2010

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Sixteenth section sources	\$ 138,625	858,130	858,130	719,505	0
Total Revenues	<u>138,625</u>	<u>858,130</u>	<u>858,130</u>	<u>719,505</u>	<u>0</u>
<b>Expenditures:</b>					
Sixteenth section		13,570	13,570	(13,570)	0
Total Expenditures	<u>0</u>	<u>13,570</u>	<u>13,570</u>	<u>(13,570)</u>	<u>0</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>138,625</u>	<u>844,560</u>	<u>844,560</u>	<u>705,935</u>	<u>0</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers in				0	0
Operating transfers out		(200,000)	(200,000)	(200,000)	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>(200,000)</u>	<u>(200,000)</u>	<u>(200,000)</u>	<u>0</u>
Net Change in Fund Balances	<u>138,625</u>	<u>644,560</u>	<u>644,560</u>	<u>505,935</u>	<u>0</u>
Fund Balances:					
July 1, 2009,	<u>1,308,680</u>	<u>1,308,680</u>	<u>1,308,680</u>	<u>0</u>	<u>0</u>
June 30, 2010	<u>\$ 1,447,305</u>	<u>1,953,240</u>	<u>1,953,240</u>	<u>505,935</u>	<u>0</u>

The notes to the required supplemental information are an integral part of this schedule.

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Required Supplemental Information  
For the Year Ended June 30, 2010

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

JEFFERSON COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

JEFFERSON COUNTY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards  
For Year Ended June 30, 2010

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 239,257
National school lunch program	10.555	571,235
Total child nutrition cluster		<u>810,492</u>
Fresh Fruit and Vegetable Program	10.582	50,892
Total passed-through Mississippi Department of Education		<u>861,384</u>
Passed-through Jefferson County Board of Supervisors:		
Schools and Roads - Grants to States	10.665	67,869
Total passed-through Jefferson County Board of Supervisors		<u>67,869</u>
<b>Total U.S. Department of Agriculture</b>		<u><u>929,253</u></u>
<b><u>U.S. Department of Defense</u></b>		
Direct Program:		
Reserve Officers' Training Corps	12.XXX	56,560
Total U.S. Department of Defense		<u>56,560</u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	24,350
<b>Total Federal Communications Commission</b>		<u>24,350</u>
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	964,927
ARRA - Title I grants to local educational agencies, recovery act	84.389	59,856
Total Title I cluster		<u>1,024,783</u>
Career and technical education - basic grants to states	84.048	24,855
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	812
Safe and drug-free schools and communities- state grants	84.186	4,097
Education technology state grants	84.318	2,191
Rural education	84.358	42,593
Improving Teacher Quality State Grants	84.367	232,071
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	502,659
Subtotal		<u>1,834,061</u>
Special education cluster:		
Special education - grants to states	84.027	357,731
ARRA - Special education - grants to states, recovery act	84.391	21,156
Special education - preschool grants	84.173	16,787
ARRA - Special education - preschool grants, recovery act	84.392	6,623
Total special education cluster		<u>402,297</u>
Total passed-through Mississippi Department of Education		<u>2,236,358</u>
<b>Total U.S. Department of Education</b>		<u><u>2,236,358</u></u>
Total for All Federal Awards		<u><u>\$ 3,246,521</u></u>

**NOTES TO SCHEDULE**

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

JEFFERSON COUNTY SCHOOL DISTRICT

Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds  
For Year Ended June 30, 2010

<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	\$ 10,072,610	7,149,876	563,390	848,923	1,510,421
Other	<u>3,122,132</u>	<u>940,840</u>	<u>200,618</u>	<u>14,756</u>	<u>1,965,918</u>
Total	\$ <u>13,194,742</u>	<u>8,090,716</u>	<u>764,008</u>	<u>863,679</u>	<u>3,476,339</u>
Total number of students*	<u>1,458</u>				
Cost per student	\$ <u>9,050</u>	<u>5,549</u>	<u>524</u>	<u>592</u>	<u>2,385</u>

NOTES TO SCHEDULE

1. Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.
2. General Administration - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.
3. School Administration - includes expenditures for the following function: Support Services - School Administration.
4. Other - includes all expenditure functions not included in Instruction or Administration Categories.

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

JEFFERSON COUNTY SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

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

"UNAUDITED"

	2010	2009*	2008*	2007*
<b>Revenues:</b>				
Local sources	\$ 2,052,379	2,112,897	1,918,474	1,905,068
State sources	6,007,850	6,667,507	6,928,913	6,961,488
Federal sources	149,521	197,627	195,476	153,422
<b>Total Revenues</b>	<b>8,209,750</b>	<b>8,978,031</b>	<b>9,042,863</b>	<b>9,019,978</b>
<b>Expenditures:</b>				
Instruction	4,505,703	5,195,799	4,918,136	4,818,622
Support services	3,879,081	3,908,834	4,010,626	3,556,551
Noninstructional services				1,612
Sixteenth section			2,700	
Facilities acquisition and construction		98,435	110,713	
Debt service:				
Other		353	780	1,105
<b>Total Expenditures</b>	<b>8,384,784</b>	<b>9,203,421</b>	<b>9,042,955</b>	<b>8,377,890</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(175,034)	(225,390)	(92)	642,088
<b>Other Financing Sources (Uses):</b>				
Proceeds of loans		243,000	407,000	
Insurance loss recoveries			2,877	
Operating transfers in	355,676			
Other financing sources		2,111	510	
Operating transfers out	(781,751)	(734,122)	(858,443)	(866,072)
Other financing uses				(51,195)
<b>Total Other Financing Sources (Uses)</b>	<b>(426,075)</b>	<b>(489,011)</b>	<b>(448,056)</b>	<b>(917,267)</b>
<b>Net Change in Fund Balances</b>	<b>(601,109)</b>	<b>(714,401)</b>	<b>(448,148)</b>	<b>(275,179)</b>
<b>Fund Balances:</b>				
Beginning of period, as originally reported	1,226,551	1,935,366	2,282,370	2,534,034
Prior period adjustments		5,586	101,144	23,515
Beginning of period, as restated	1,226,551	1,940,952	2,383,514	2,557,549
<b>End of Period</b>	<b>\$ 625,442</b>	<b>1,226,551</b>	<b>1,935,366</b>	<b>2,282,370</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

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

"UNAUDITED"

	2010	2009*	2008*	2007*
<b>Revenues:</b>				
Local sources	\$ 2,399,948	2,424,910	2,175,406	2,048,488
State sources	6,607,871	7,326,701	7,615,327	7,645,199
Federal sources	3,367,136	2,528,149	2,503,713	2,812,388
Sixteenth section sources	976,110	195,291	409,127	159,476
Total Revenues	<u>13,351,065</u>	<u>12,475,051</u>	<u>12,703,573</u>	<u>12,665,551</u>
<b>Expenditures:</b>				
Instruction	6,654,627	6,807,963	6,555,061	6,896,692
Support services	5,027,057	5,011,008	5,158,678	4,589,233
Noninstructional services	898,485	870,043	735,623	694,661
Sixteenth section	44,964	29,878	14,863	32,903
Facilities acquisition and construction		98,435	110,713	13,583
Debt service:				
Principal	430,691	406,265	345,692	334,623
Interest	98,342	135,003	128,003	144,739
Debt issuance cost	37,895			
Other	2,681	1,380	1,873	1,710
Total Expenditures	<u>13,194,742</u>	<u>13,359,975</u>	<u>13,050,506</u>	<u>12,708,144</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>156,323</u>	<u>(884,924)</u>	<u>(346,933)</u>	<u>(42,593)</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds of refunding bonds	1,890,000			
Premium on debt issuance	25,004			
Proceeds of loans		243,000	407,000	
Insurance loss recoveries			2,877	
Operating transfers in	1,137,427	734,122	859,168	866,072
Other financing sources		2,111	510	
Operating transfers out	(1,137,427)	(734,122)	(859,168)	(866,072)
Payment to refunded bond escrow agent	(1,873,604)			
Other financing uses				(51,195)
Total Other Financing Sources (Uses)	<u>41,400</u>	<u>245,111</u>	<u>410,387</u>	<u>(51,195)</u>
Net Change in Fund Balances	<u>197,723</u>	<u>(639,813)</u>	<u>63,454</u>	<u>(93,788)</u>
<b>Fund Balances:</b>				
Beginning of period, as originally reported	3,742,144	4,377,188	4,221,473	4,295,061
Prior period adjustments		7,008	91,099	16,093
Beginning of period, as restated	<u>3,742,144</u>	<u>4,384,196</u>	<u>4,312,572</u>	<u>4,311,154</u>
Increase (Decrease) in reserve for inventory	<u>11,048</u>	<u>(2,239)</u>	<u>1,162</u>	<u>4,107</u>
End of Period	<u>\$ 3,950,915</u>	<u>3,742,144</u>	<u>4,377,188</u>	<u>4,221,473</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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**WATKINS, WARD and STAFFORD**  
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Certified Public Accountants

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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 FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Superintendent and School Board  
Jefferson County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jefferson County School District as of and for the year ended June 30, 2010, which collectively comprise Jefferson County School District's basic financial statements and have issued our report thereon dated April 13, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses. [Finding 2010-01 and Finding 2010-02].

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency. [Finding 2010-03].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an

objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain immaterial instances of noncompliance or other matters that we reported to management of the school district in a separate letter dated April 13, 2011, which is included in this report.

Jefferson County School District's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit Jefferson County School District's responses and, accordingly, we express no opinion on them.

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.

Watkins, Ward and Stafford, PLLC  
Jackson, Mississippi  
April 13, 2011

A handwritten signature in black ink that reads "Watkins, Ward and Stafford, PLLC". The signature is written in a cursive, somewhat stylized font.



**WATKINS, WARD and STAFFORD**  
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INDEPENDENT AUDITOR'S REPORT  
 ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT  
 AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
 OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Superintendent and School Board  
 Jefferson County School District

Compliance

We have audited the compliance of the Jefferson County School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The Jefferson County School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, Jefferson County School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding **2010-04**.

Internal Control Over Compliance

Management of the Jefferson County School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Jefferson County School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as Finding **2010-04**. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Jefferson County School District's response to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. We did not audit Jefferson County School District's response and, accordingly, we express no opinion on it.

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.

Watkins, Ward and Stafford, PLLC  
Jackson, Mississippi  
April 13, 2011

*Watkins, Ward and Stafford PLLC*

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

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

Superintendent and School Board  
 Jefferson County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson County School District as of and for the year ended June 30, 2010, which collectively comprise Jefferson County School District's basic financial statements and have issued our report thereon dated April 13, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$7,076 of classroom supply funds carried over from previous years.

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

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

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

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

1. Proper Forms Should Be Filed and Reconciled at year end for All Retirees

Finding

The Mississippi Public Employees Retirement System (PERS) requires, under the re-employment provisions of Section 25-11-127, Miss. Code Ann. (1972), school districts hiring PERS service retirees to file PERS Form 4B "Certification/Acknowledgment of Re-employment of Retiree" with the PERS office within five days from the date of employment of the retiree and within five days of termination of employment.

During our testing of internal controls related to payroll expenditures, it was noted the district did not file the forms at the termination period of the rehired retirees or reconcile the employee's salary at termination to prevent overpayment.

Lack of internal controls related to the payroll cycle resulted in district personnel not filing all of the necessary forms required for PERS service retirees.

The retirees' retirement income could be affected by the district not filing PERS Form 4B upon re-employment of PERS service retirees each year. In addition, the Mississippi Public Employees Retirement System may assess a penalty per occurrence payable by the district for not filing PERS Form 4B within five days of re-employment and within five days of termination of the service retiree.

Recommendation

We recommend the district implement procedures to ensure that the district files PERS Form 4B "Certification/Acknowledgment of Re-employment of Retiree" for all retirees rehired by the school district within five days of the employment and within five days of termination.

District's Response

The district will within five (5) days of employment and termination file a PERS Form 4B Certification / Acknowledgment of Re-employment of Retiree for all retirees rehired by the school district.

2. The School Board Should Ensure Compliance with the Ethics Laws Related to Hiring Practices

Finding

Section 25-4-105 state that certain actions, activities and business relationships prohibited or authorized; contracts in violation of section voidable; penalties. No public servant shall use their official position to obtain, or attempt to obtain a pecuniary benefit for any relative or any business or any business with which they are associated.

During our audit for the fiscal year ending June 30, 2010, we noted several instances of the School Board members approving the hiring of individuals whose employment by the School Board could result in noncompliance with state ethics laws. We also noted district staff with a supervisory position over other immediate family members.

Recommendation

We recommend that the school board implement policies to ensure that employment of individuals by the school board is in compliance with state ethics laws as they relate to hiring practices in Section 25-4-105, Miss. Code Ann. (1972).

District's Response

The district will adhere to policy on the employment of staff. Board members will abstain voting in instances where immediate family members are recommended. Also, supervisory positions over immediate family members will be documented in the board minutes indicating that this individual is the most qualified applicant or any other reason that may be appropriate.

3. All items should have two quotes when greater than \$5,000 and less than \$50,000

Finding

Section 31-7-13, Miss. Code Ann. (1972), requires that Mississippi Public School Districts should properly select based on two quotes for items greater than \$5,000 and less than \$50,000.

During our test work at Jefferson County School District, we noted that the district did not provide proof of two quotes for purchases of \$7,369 and \$14,013.

This noncompliance occurred because the district lacked proper training with respect to state laws concerning the need to get quotes for items greater than \$5,000 but less than \$50,000.

Noncompliance with Section 31-7-13, Miss. Code Ann. (1972) could result in the district violating state purchasing laws and purchasing questioned items.

Recommendation

We recommend that the district comply with Section 31-7-13, Miss. Code Ann. (1972), which requires the district to make a selection based on at least two quotes on items to be purchased greater than \$5,000 but less than \$50,000.

District's Response

The district will concur and increase our efforts to make sure at least two (2) quotes are obtained on purchases greater than 5,000 and less than 50,000.

4. School Board Should Approval All Non-certificated Employees

Finding

Section 37-7-301(w), Miss. Code Ann. (1972) requires the school board to employee all non-instructional and non-certificated employees and fix the duties and compensation for such personnel deemed necessary pursuant to the recommendation of the superintendent of schools. In addition, School Board Policy GCD requires an "At-Will Agreement" to be on file for all non-certificated staff.

During payroll test work, we noted one instance of non-certificated employees tested that were not approved by the school board.

Hiring non-certificated employees without school board approval results in a violation of Section 37-7-301, Miss. Code Ann. (1972).

Recommendation

We recommend that the district comply with Section 37-7-301(w), Miss. Code Ann. (1972), by obtaining board approval before hiring non-certificated employees.

District's Response

The district will comply with Section 37-7-301 and increase our efforts to ensure that all employees are approved by the school board.

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

The Jefferson County School District's responses to the findings included in this report were not audited and, accordingly, we express no opinion on them.

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.

Watkins, Ward and Stafford, PLLC  
Jackson, Mississippi  
April 13, 2011

*Watkins, Ward and Stafford PLLC*

JEFFERSON COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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JEFFERSON COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2010

Section I: Summary of Auditor's Results

Financial Statements:

- |    |   |  |             |
|----|---|--|-------------|
| 1. | Type of auditor's report issued on the financial statements:                          |  | Unqualified |
| 2. | Noncompliance material to financial statements noted?                                 |  | No          |
| 3. | Internal control over financial reporting:  |  |             |
|    | a. Material weaknesses identified?  |  | Yes         |
|    | b. Significant deficiency identified that are not considered to be material weakness? |  | Yes         |

Federal Awards:

- |    |  |  |             |
|----|--|--|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs:  |  | Unqualified |
| 5. | Internal control over major programs:  |  |             |
|    | a. Material weakness identified?   |  | No          |
|    | b. Significant deficiency identified that are not considered to be material weakness?                                  |  | Yes         |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? |  | Yes         |
| 7. | Federal programs identified as major programs:   |  |             |
|    | a. Special Education Cluster   |  |             |
|    | CFDA #84.027   |  |             |
|    | CFDA #84.173   |  |             |
|    | CFDA #84.391   |  |             |
|    | CFDA #84.392   |  |             |
|    | b. Title I Cluster   |  |             |
|    | CFDA #84.010   |  |             |
|    | CFDA #84.389   |  |             |
|    | c. ARRA – State Fiscal Stabilization Fund – Education State Grants, Recovery Act                                       |  |             |
|    | CFDA #84.394   |  |             |

- |    |  |  |           |
|----|--|--|-----------|
| 8. | Dollar threshold used to distinguish between type A and type B programs: |  | \$300,000 |
|----|--|--|-----------|

JEFFERSON COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2010

- |     |   |     |
|-----|---|-----|
| 9.  | Auditee qualified as low-risk auditee?  | No  |
| 10. | Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section__315(b) of OMB Circular A-133. | Yes |

JEFFERSON COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2010

Section II: Financial Statement Findings

Significant Deficiencies Considered to be Material Weaknesses

Controls over revenue recognition and receipts should be strengthened

2010-01 Finding

Management is responsible for ensuring that all revenue earned is correctly recorded and deposited in order to safeguard the assets of the district.

While reviewing revenue receipts, we found that the district had inadequate internal controls with regard to safeguarding receipts and recording in the general ledger. The following weaknesses were noted:

- A. We noted four instances of where funds were deposited before funds were receipted or posted to the general ledger. Two instances were twenty-one days, one instance eighteen days, and one instance was twenty-two days before funds were receipted or posted to the general ledger.
- B. We noted two instances where deposits were made over two weeks after the check date.

These weaknesses occurred due to inadequate internal controls surrounding the collection and deposit of receipts.

Inadequate internal controls surrounding revenue collection could result in the loss of assets and improper revenue recognition.

Recommendation

We recommend that the district implement policies and procedures to insure that assets are adequately safeguarded and revenue is properly recognized and recorded.

Payroll Expenditures should be supported with adequate documentation

2010-02 Finding

Management is responsible for insuring that all payroll expenditures made by the district are adequately documented.

During our test of payroll expenditures, we found that supporting documentation for nonexempt employees was incomplete, inaccurate, or was not used to calculate the amount of salary an employee had earned.

As a result of improper internal controls for payroll expenditures, payments to nonexempt personnel were processed without proper documentation.

Payments of wages without adequate records could result in employees being improperly compensated.

Recommendation

We recommend the district maintain adequate records for all nonexempt personnel to support payroll expenditures.

JEFFERSON COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2010

Significant deficiency Not Considered to be a Material Weakness

Controls concerning student clubs should be strengthened

2010-03 Finding

Safeguarding of assets and reliable financial reporting are paramount duties of management. School agency funds should only be used for students as we could find no authority for employee funds.

The Jefferson County High School has a Transportation Club that had negative cash balance of \$58 at year end. This fund was held in a pooled bank account with other club funds. Without approval from the other student clubs, the district does not have the authority to loan other clubs' money. This situation represents an internal control weakness over the custody of agency fund assets. The district had recorded one agency fund as a student club that was not in fact a student club. This fund was the Transportation Club fund, which was used by district personnel for an unknown use.

Due to inadequate internal controls, club accounts were not monitored to ensure that loans were not made among student clubs without authorization.

Inadequate internal controls surrounding agency funds could result in misappropriation of student club funds.

Recommendation

The district should implement policies and procedures that would insure that club funds are properly recognized and that the assets are properly segregated to safeguard each club's assets. The district should also ensure that all student clubs are actually student clubs. Employee groups are not considered student clubs.

JEFFERSON COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2010

Section III: Federal Award Findings and Questioned Costs

Significant Deficiency:

2010-04 Finding

Program: Title I Fund – CFDA # 84.010

U.S. Department of Education; passed through the Mississippi Department of Education

Program: State Grants for Innovative Programs – CFDA # 84.298

U.S. Department of Education; passed through the Mississippi Department of Education

Program: Special Education - Preschool Grants – CFDA # 84.173

U.S. Department of Education; passed through the Mississippi Department of Education

Program: Education Technology State Grants – CFDA # 84.318

U.S. Department of Education; passed through the Mississippi Department of Education

Program: Special Education – Grants to States – CFDA #84.027

U.S. Department of Education; passed through the Mississippi Department of Education

Compliance requirement: Cash Management

During testing the auditor noted unearned revenue within multiple federal reimbursable funds. The auditor also noted that at the end of the year the district had cash balances within some of the federal reimbursable funds. The district requested funds in excess of immediate need from the MS Department of Education.

Management is responsible for complying with federal cash management requirements that allow draw down of funds only to cover immediate needs.

The cash balances were caused due to insufficient internal controls in cash management.

Inadequate controls related to estimates of payroll expenditures can cause the district to request excessive funds and retain cash balances. At June 30, 2010, Title I Fund, Innovative Programs, Special Education, Educational Technology State Grants, had surplus of cash.

Recommendation:

The district should implement stronger internal controls to ensure that reimbursements are not requested until funds have been expended.

AUDITEE'S CORRECTIVE ACTION PLAN  
AND / OR  
SUMMARY OF PRIOR AUDIT FINDINGS

JEFFERSON COUNTY SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section \_\_.315 (b) of OMB Circular A-133, the Jefferson County School District has prepared and hereby submits the following corrective action plan for the finding included in the Schedule of Findings and Questioned Costs for the Year ended June 30, 2010:

**Section II: Financial Statement Findings:**

**2010-01 Controls over revenue and receipts should be strengthened**

**Corrective Action:**

The district will implement policies and procedures to ensure all revenue is properly recognized and recorded. During this time, the district did have a decrease in central office personnel causing some receipts to be posted late. Checks from the Tax Office were occasionally dated much earlier than they were received. There were also discrepancies noted after receiving checks from the Tax Office and individuals would have to be contacted for clarification. This would cause a delay in depositing. The district will document when these instances occur for further references.

**Who will be responsible:**

The Business Manager will be responsible for this process.

**2010-02 Payroll Expenditures should be supported with adequate documentation**

**Corrective Action:**

The district will comply and increase our efforts to ensure that adequate records are kept for all nonexempt personnel.

**Who will be responsible:**

The Payroll Clerk will be responsible for this process.

**2010-03 Club Expenditures Should Not Exceed Available Funds**

**Corrective Action Plan:**

The district will implement policies and procedures to ensure that club funds are properly recognized. The Transportation Club account has been reimbursed in its entirety. Also a special meeting was called with the Principals and Secretaries to go over the procedures for school accounts. Principals will monitor closely the types of clubs to ensure this instance does not reoccur.

**Who will be responsible:**

The Principals, Secretaries, and Business Manager will be responsible for this process.

**2010-04 Federal Award Findings and Questioned Costs**

**Corrective Action Plan:**

Education Technology funds are not drawn down, instead are sent by the State. The Coordinator for this program has not expended all of the funds. Upon instructions from the Mississippi Department of Education, the Education Technology funds will be returned. The district has already corrected the cash balance by further request and draw downs. The district is currently requesting only the amount of cash needed for immediate use.

**Who Will Be Responsible:**

The Business Manager will be responsible for this process.

JEFFERSON COUNTY SCHOOL DISTRICT

AUDITEE'S SUMMARY OF PRIOR YEAR AUDIT FINDINGS

As required by Section \_\_.315 (b) of OMB Circular A-133, the Jefferson County School District has prepared and hereby submits the following summary of prior year audit findings as of June 30, 2010:

<u>Findings</u>	<u>Status</u>
2009-1	In progress (See finding 2010-4)

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