



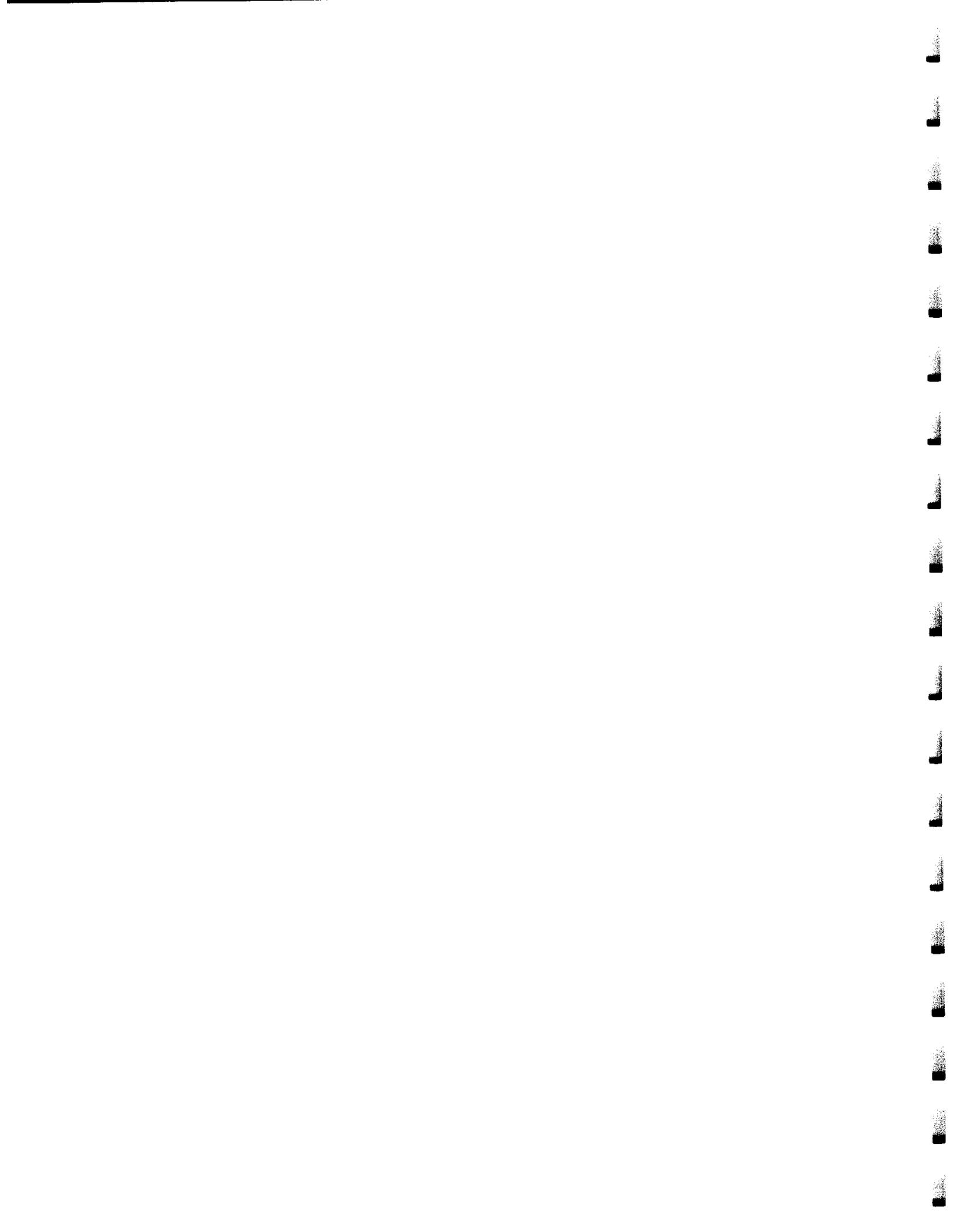
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JACKSON COUNTY SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2005

Presented by:  
Dribben & Associates, Ltd.  
P. O. Box 1411  
113 North Broadway Avenue  
McComb, MS 39649-1411



JACKSON COUNTY SCHOOL DISTRICT

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JACKSON COUNTY SCHOOL DISTRICT

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JACKSON COUNTY SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

JACKSON COUNTY SCHOOL DISTRICT

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

May 1, 2006

Superintendent and School Board  
Jackson 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 Jackson County School District as of and for the year ended June 30, 2005, which collectively comprise the Jackson County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility for the Jackson 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 opinion.

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 Jackson County School District, as of June 30, 2005, 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 May 1, 2006, on our consideration of the Jackson County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 read in conjunction with this report in considering the results of our audit.

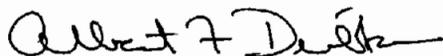
The Management's Discussion and Analysis on pages 11 through 16 and the Budgetary Comparison Schedule and corresponding notes on pages 45 through 46 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Albert F. Dribben, CPA

P. O. Box 1411 113 North Broadway Avenue McComb, MS 39649-1411  
Phone: (601) 684-4819 (601) 684-4870 1-888-299-4829 Toll Free Fax: (601) 684-4818  
Email: [dribbencpa@cableone.net](mailto:dribbencpa@cableone.net) Web: [www.dribbencpa.com](http://www.dribbencpa.com)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jackson 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.

Sincerely,

A handwritten signature in black ink, appearing to read "Albert F. Dribben". The signature is fluid and cursive, with a long horizontal stroke at the end.

Albert F. Dribben, CPA  
Dribben & Associates, Ltd.  
McComb, Mississippi

JACKSON COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JACKSON COUNTY SCHOOL DISTRICT

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# Jackson County School District

EAST CENTRAL ST. MARTIN VANCLEAVE

RUCKS H. ROBINSON, SUPERINTENDENT



12210 COLONEL VICKREY ROAD

POST OFFICE BOX 5069

VANCLEAVE, MISSISSIPPI 39565-5069

TELEPHONE  
AREA CODE 228  
826-1757  
FAX 826-3393

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR-ENDED JUNE 30, 2005

The discussion and analysis of Jackson County School District's financial performance provides an overall narrative review of the school district's financial activities for the year ended June 30, 2005. The intent of the 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 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 the financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

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

### FINANCIAL HIGHLIGHTS

- Total net assets increased \$2,664,372 which represents a 7% increase from fiscal year 2004.
- General revenues account for \$47,157,365 in revenue, or 83% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$9,329,304 or 17% of total revenues.
- The district had \$53,891,165 in expenses; only \$9,329,304 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$47,157,365 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$46,224,563 in revenues, \$42,790,044 in expenditures, and \$4,151,345 in other financing sources and \$6,611,260 in other financing uses. The General Fund's fund increased balance increased \$994,604 over the prior year.
- Capital assets, net of accumulated depreciation increased by \$1,434,658.
- Long-term debts increased by \$8,401,661. This increase is due mainly to the issuance of general obligation bonds of 10,100,000.

### OVERVIEW OF FINANCIAL STATEMENTS

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

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

The statement of net assets presents information on all the district's assets and liabilities, with differences 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 deterioration.

The statement of activities presents information showing how the district's net assets changed during the most recent fiscal year. All damages 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.

The government-wide financial statements can be found on pages 19 – 20 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the district's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 22 and 24 respectively.

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

The basic governmental fund financial statements can be found on pages 17 – 25 of this report.

**Fiduciary funds:** Fiduciary funds are used to account for resources held for the benefit of parties outside the district. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the district 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 purposes. The school district's fiduciary activities are presented in separate Statements of Fiduciary Net Assets on page 25.

**Notes to the financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27 – 41 of this report.

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

The district adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 43 – 46 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on page 49 of this report.

#### GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Net assets:** Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$37,977,331 as of June 30, 2005.

The district's financial position is a product of several financial transactions including the not result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the district's net assets for the fiscal year ended June 30, 2005:

	June 30, 2005	June 30, 2004
Current assets	\$ 31,184,818	20,963,414
Capital assets, net	34,102,932	32,668,274
Total assets	<u>65,287,750</u>	<u>53,631,688</u>
Current liabilities	993,442	403,413
Long-term debt outstanding	26,316,977	17,915,316
Total liabilities	<u>27,310,419</u>	<u>18,318,729</u>
Net assets:		
Invested in capital assets, net of related debt	8,167,670	25,823,801
Restricted	21,045,925	2,735,408
Unrestricted	8,763,736	6,753,750
Total net assets	<u>\$ 37,977,331</u>	<u>35,312,959</u>

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

- Capital Asset additions in the amount of \$2,730,622.
- Capital Asset disposals in the amount of \$63,548.
- New debt issued in the amount of \$10,100,000.
- Payments on debt on debt in the amount of \$1,699,605.
- Increase in compensated absences liability in the amount of \$1,424.

**Changes in net assets:** The district's total revenues for the fiscal year ended June 30, 2005 were \$56,486,669. The total cost of all programs and services was \$53,891,165. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2005:

	June 30, 2005	June 30, 2004
<b>Revenues</b>		
Program revenues	\$ 9,329,304	8,827,344
General revenues	47,157,365	45,250,630
<b>Total Revenues</b>	<u>56,486,669</u>	<u>54,077,974</u>
<b>Expenses</b>		
Instruction	30,642,158	27,832,621
Support service	19,242,313	17,692,606
Non-instructional	3,318,034	2,950,037
Sixteenth section	28,666	21,685
Interest and other charges related to long-term liabilities	659,994	718,347
<b>Total Expenses</b>	<u>53,891,165</u>	<u>49,215,296</u>
<b>Increase in Net Assets</b>	<u>\$ 2,595,504</u>	<u>4,862,678</u>

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

	June 30, 2005		June 30, 2004	
	Total Expenses	Net(Expense) Revenue	Total Expenses	Net(Expense) Revenue
Instruction	\$ 30,642,158	(26,372,002)	27,832,621	(23,681,164)
Support service	19,242,313	(17,324,993)	17,692,606	(15,877,474)
Non-instructional	3,318,034	(176,206)	2,950,037	(89,282)
Sixteenth section	28,666	(28,666)	21,685	(21,685)
Interest and other charges related to long-term liabilities	659,994	(659,994)	718,347	(718,347)
	<u>\$ 53,891,165</u>	<u>(44,561,861)</u>	<u>49,215,296</u>	<u>(40,387,952)</u>

Net cost of governmental activities, \$44,561,861, was financed by general revenues which is made up of primarily property taxes (\$15,054,321), state revenue (\$28,830,704), federal revenue (\$375,839), sixteenth section sources (\$185,284), and other general revenues not otherwise classified (\$2,711,217).

- Investment earnings accounted for \$527,870 of funding.

#### **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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

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

The financial performance of the district as a whole is reflected in its governmental funds. As the district completed the year, its governmental funds reported a combined fund balance of \$30,263,963, an increase of \$9,635,371 due primarily to the issuance of new debt. \$9,495,955 or 31% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the district discretion.

The General Fund is the principal operating fund of the district. The increase in fund balance in the General Fund for the fiscal year was \$994,604 due primarily to an increase in state revenues.

The fund balance of the Other Governmental Funds (Non-major funds) decreased in the amount of \$580,541 for the fiscal year.

#### **BUDGETARY HIGHLIGHTS**

- Over the course of the year, the district revised the annual operating budget. Budgeted amounts in revenues from local were adjusted to reflect increase in actual property taxes received and other local sources.
- Budgeted amounts in Facilities Acquisition and Construction were adjusted to reflect amount spent for furniture and equipment.
- Budgeted amounts in the General Fund for instruction, support services, and non-instructional services were increased to reflect increases in salaries.
- A schedule showing the original and final budget amounts compared to the district's actual financial activities for the General Fund is provided in this report as required supplementary information.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets:** As of June 30, 2005, the district's total capital assets were \$52,157,932 including land, school buildings, building and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents an increase of 2,749,649 from the previous year. The increase was due to \$2,730,622 in asset additions and \$63,548 in asset deletions during the fiscal year. Total accumulated depreciation as of June 30, 2005 was \$18,055,000 and total depreciation expense for the year was \$1,358,869 resulting in total net assets of \$34,102,932.

Additional information of the district's capital assets can be found in Note 5 on page 35 of this report.

**Debt Administration:** At June 30, 2005, the district had \$26,316,977 in long-term debt outstanding, of which \$1,629,682 is due within one year. In addition, the liability for compensated absences increases by \$1,424 from the prior year.

Additional information of the district's long-term debt can be found in Note 6 on page 36 of this report.

## **CURRENT ISSUES**

The Jackson 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 millage has not significantly changed over the past several years. In addition, the district system of financial planning, budgeting and internal financial controls are well regarded. The district plans to continue its sound fiscal management to meet the challenges of the future.

Latest enrollment figures indicate that student enrollment in the district has been steady. The budget for the next fiscal year has taken into account this increase in both funding and staffing needs.

## **CONTACT INFORMATION**

If you have questions about this report, contact the Superintendent's Office of the Jackson County School district, 12210 Colonel Vickery Road, Vanleave, MS 39565.

JACKSON COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

JACKSON COUNTY SCHOOL DISTRICT

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Jackson County School District  
Statement of Net Assets  
June 30, 2005

Exhibit A

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 19,501,099
Due from other governments	1,063,395
Other Receivables, net	10,017,564
Inventories and prepaid items	81,378
Restricted assets	521,382
Capital assets, net	<u>34,102,932</u>
 Total Assets	 <u>\$ 65,287,750</u>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	\$ 877,300
Deferred revenue	43,555
Interest payable on long-term liabilities	72,587
Long term liabilities (due within one year)	
Capital-related liabilities	1,618,141
Non-capital liabilities	11,451
Long term liabilities (due beyond one year)	
Capital-related liabilities	24,317,121
Non-capital liabilities	<u>370,264</u>
 Total Liabilities	 <u>27,310,419</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	8,167,670
Restricted net assets	
Expendable:	
School based activities	431,882
Debt service	11,168,835
Capital improvements	8,698,117
Forestry improvements	74,801
Unemployment benefits	150,908
Non-expendable:	
Sixteenth Section	521,382
Unrestricted	<u>8,763,736</u>
 Total Net Assets	 <u>\$ 37,977,331</u>

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

Jackson County School District  
Statement of Activities  
June 30, 2005

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
<b>Governmental Activities</b>					
Instruction	\$ 30,642,158	966,007	3,304,149	-	(26,372,002)
Support services	19,242,313	-	1,917,320	-	(17,324,993)
Noninstructional services	3,318,034	1,175,217	1,966,611	-	(176,206)
Sixteenth section	28,666	-	-	-	(28,666)
Interest on long term liabilities	659,994	-	-	-	(659,994)
<b>Total governmental activities</b>	<b>\$ 53,891,165</b>	<b>2,141,224</b>	<b>7,188,080</b>	<b>-</b>	<b>(44,561,861)</b>
<b>General Revenues:</b>					
<b>Taxes:</b>					
General purpose levies					15,054,321
Debt purpose levies					1,843,397
<b>Unrestricted grants and contributions</b>					
State					28,830,704
Federal					375,839
Unrestricted investment earnings					527,870
Sixteenth Section sources					185,284
Other					339,950
<b>Total General Revenues</b>					<b>47,157,365</b>
<b>Change in Net Assets</b>					<b>2,595,504</b>
<b>Net Assets - Beginning</b>					<b>35,312,959</b>
<b>Prior period adjustments</b>					<b>68,868</b>
<b>Net Assets - Restated</b>					<b>35,381,827</b>
<b>Net Assets - Ending</b>					<b>\$ 37,977,331</b>

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

Jackson County School District  
Balance Sheets - Governmental Funds  
June 30, 2005

Exhibit C

	Major Funds					Total Governmental Funds
	General Fund	Three Mill Construction and Repair	Construction and Improvements	General Bonds Refunded 2004	Other Governmental Funds	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 8,522,649	3,611,057	5,573,860	91,450	2,223,465	20,022,481
Due from other governments	677,713			30,158	355,524	1,063,395
Other Receivables, net				10,010,718	6,846	10,017,564
Inventories and prepaid items					81,378	81,378
Due from other funds	219,740					219,740
<b>Total Assets</b>	<b>\$ 9,420,102</b>	<b>3,611,057</b>	<b>5,573,860</b>	<b>10,132,326</b>	<b>2,667,213</b>	<b>31,404,558</b>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	210,040	470,462	16,338		180,460	877,300
Due to other funds					219,740	219,740
Deferred revenue					43,555	43,555
<b>Total Liabilities</b>	<b>210,040</b>	<b>470,462</b>	<b>16,338</b>	<b>-</b>	<b>443,755</b>	<b>1,140,595</b>
<b>FUND BALANCES</b>						
Reserved for:						
Inventory					81,378	81,378
Capital projects funds		3,140,595	5,557,522			8,698,117
Debt service fund				10,132,326	1,109,096	11,241,422
Forestry escrow					74,801	74,801
Unemployment					150,908	150,908
Permanent funds					521,382	521,382
Unreserved:						
Undesignated, reported in,						
General Fund	9,210,062					9,210,062
Special revenue funds					285,893	285,893
<b>Total fund balances</b>	<b>9,210,062</b>	<b>3,140,595</b>	<b>5,557,522</b>	<b>10,132,326</b>	<b>2,223,458</b>	<b>30,263,963</b>
<b>Total liabilities &amp; fund balances</b>	<b>\$ 9,420,102</b>	<b>3,611,057</b>	<b>5,573,860</b>	<b>10,132,326</b>	<b>2,667,213</b>	<b>31,404,558</b>

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

Jackson County School District  
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
 June 30, 2005

Exhibit C-1

	<u>Amount</u>
Total fund balance - governmental funds	\$ 30,263,963
Amounts reported for governmental activities in the statement of net assets are different because:	
1 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital Assets	52,157,932
Less Accumulated Depreciation	<u>(18,055,000)</u>
	34,102,932
2 Liabilities not due and payable in the current period are not reported in the funds, as follows:	
Long-term liabilities	(26,316,977)
Accrued interest on debt	<u>(72,587)</u>
	(26,389,564)
Total Net Assets	<u><u>\$ 37,977,331</u></u>

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

Jackson County School District  
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances  
 June 30, 2005

Exhibit D

	Major Funds					Total Governmental Funds
	General Fund	Three Mill Construction and Repair	Construction and Improvements	General Bonds Refunded 2004	Other Governmental Funds	
<b>REVENUES</b>						
Local sources	\$ 16,588,970	106,713	118,453	341,599	2,728,666	19,884,401
State sources	29,170,633	-	-	-	954,691	30,125,324
Federal sources	464,960	-	-	-	5,804,340	6,269,300
Sixteenth section sources	-	-	-	-	199,831	199,831
Total Assets	46,224,563	106,713	118,453	341,599	9,687,528	56,478,856
<b>EXPENDITURES</b>						
Instruction	25,911,131	-	-	-	4,317,039	30,228,170
Support services	16,306,586	-	99,890	-	2,484,444	18,890,920
Noninstructional services	178,538	-	-	-	3,056,164	3,234,702
Sixteenth section	-	-	-	-	28,666	28,666
Facilities acquisition and construction	373,789	1,475,253	107,430	-	242,910	2,199,382
Debt Service:						
Principal	-	-	-	50,000	1,649,605	1,699,605
Interest	-	-	-	195,085	411,915	607,000
Other	-	-	-	64,188	4,470	68,658
Total Expenditures	42,770,044	1,475,253	207,320	309,273	12,195,213	56,957,103
Excess (Deficiency) of Revenues over Expenditures	3,454,519	(1,368,540)	(88,867)	32,326	(2,507,685)	(478,247)
<b>OTHER FINANCING SOURCES(USES)</b>						
Insurance loss recoveries	7,217	-	-	-	-	7,217
Proceeds of refunding bonds	-	-	-	10,100,000	-	10,100,000
Sale of Transportation Equipment	2,352	-	-	-	-	2,352
Sale of other property	4,049	-	-	-	-	4,049
Transfers in	4,137,727	-	546,389	-	2,127,580	6,811,696
Transfers out	(6,611,260)	-	-	-	(200,436)	(6,811,696)
Total Other Financing Sources (Uses)	(2,459,915)	-	546,389	10,100,000	1,927,144	10,113,618
Net Change in Fund Balance	994,604	(1,368,540)	457,522	10,132,326	(580,541)	9,635,371
July 1, 2004	8,215,458	4,509,135	5,100,000	-	2,823,659	20,648,252
Increase (decrease) in reserve for inventory	-	-	-	-	(19,660)	(19,660)
June 30, 2005	\$ 9,210,062	3,140,595	5,557,522	10,132,326	2,223,458	30,263,963

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

Jackson County School District  
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities  
 June 30, 2005

Exhibit D-1

	<u>Amount</u>
Net changes in fund balances - Governmental Funds	\$ 9,635,371
Amounts reported for governmental activities in the statement of activities are different because:	
1. Capital outlays are reported as expenditures in governmental funds but are not reported as expenses in the Statement of Activities. Instead, costs associated with capital assets are capitalized in the Statement of Net Assets.	2,730,622
2. Depreciation is not an expenditure in governmental funds but is an expense of allocating the cost of capital assets over their useful lives in the Statement of Activities.	(1,358,869)
3. In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in governmental funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
a. Proceeds for sales of capital assets	(6,401)
b. Losses on sales of capital assets	596
4. The issuance of long-term debt provides current financial resources to governmental funds, but the issuance increases long-term liabilities in the Statement of Net Assets.	(10,100,000)
5. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	1,699,605
6. Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
a. Compensated Absences Decreases	(1,424)
b. Accrued interest on debt decreases	15,664
7. A decrease in the reserve for inventory is reported as a direct decrease to the fund balance in the governmental funds but is a decrease in noninstructional service expenses in the Statement of Activities	
Decrease in reserve for inventory	<u>(19,660)</u>
Change in net assets of governmental activities	<u>\$ 2,595,504</u>

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

Jackson County School District  
Statement of Net Assets - Fiduciary Funds  
June 30, 2005

Exhibit E

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 4,250,433</u>
Total assets	<u>\$ 4,250,433</u>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	<u>\$ 4,250,433</u>
Total liabilities	<u>\$ 4,250,433</u>

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

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JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2005

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

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

B. Basis of Presentation.

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

*Government-wide Financial Statements:*

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

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

## JACKSON COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For the Year Ended June 30, 2005

#### *Fund Financial Statements:*

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

#### C. Measurement Focus and Basis of Accounting.

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

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

The school district reports the following major governmental funds:

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

Three Mill Construction and Repair Fund – This is a capital projects fund that accounts for the financial resources of a three-mill note taken out by the school district to be used for construction and repair of school buildings. The three-mill note will be paid from a special levy for debt repayment.

Construction and Improvements – This is a capital projects fund that accounts for the financial resources from local funds that are set aside for a particular building project.

General Bonds Refunded 2004 – This is a debt service fund is restricted to pay off the principal and interest owed on the general bonds.

# JACKSON COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements For the Year Ended June 30, 2005

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

Additionally, the school district reports the following fund types:

### GOVERNMENTAL FUNDS

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

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

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

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

### FIDUCIARY FUNDS

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

#### D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting* 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, 1990* issued by the U.S. Department of Education.

#### E. Encumbrances.

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

#### F. Cash and Cash Equivalents.

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

Cash and cash equivalents consist of amounts on deposit in demand accounts and certificates of deposit with maturities of 12 months or less. Cash and cash equivalents are valued at cost.

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2005

G. Investments.

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

For accounting purposes, certificates of deposit are classified as investments if they have a maturity greater than 12 months when acquired.

Investments are reported at fair value.

H. Inventories and Prepaid Items.

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

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

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

I. Capital Assets.

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

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

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

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	\$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2005

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.

J. Long-term liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. In the government-wide Statement of Net Assets, long-term debt and other long-term liabilities are reported as liabilities in the governmental activities column. See Note 6 for details.

K. Interfund Transactions and Balances.

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

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

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

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 4 for details for interfund transactions, including receivables and payables at year-end.

L. Equity Classifications.

*Government-wide Financial Statements:*

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

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

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2005

*Fund Financial Statements:*

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

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

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

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

Reserved for forestry escrow—An account that represents that portion of the sixteenth section forestry escrow fund which is legally restricted for improvements to sixteenth section forest lands.

Reserved for unemployment benefits—An account that represents the portion of the fund balance of the unemployment compensation revolving fund which is legally restricted for the payment of unemployment benefits.

Reserved for permanent funds—An account that represents the portion of the fund balance of the sixteenth section principal funds which is legally restricted for investment purposes.

M. Property Taxes.

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

N. Mississippi Adequate Education Program Revenues.

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

O. Compensated Absences.

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by school district policy. Some employees

## JACKSON COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For the Year Ended June 30, 2005

personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

#### (2) Changes in Accounting Standards

As required, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3* for the current fiscal year. This Statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Appropriate note disclosures have been incorporated to comply with the requirements of this standard.

#### (3) Cash and Cash Equivalents.

The collateral for public entities' 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 Depository Insurance Corporation.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$20,022,481 and \$4,250,433 respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents \$19,501,099. The bank balance was \$25,016,264.

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

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2005

(4) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	<u>Due To</u>	<u>Due From</u>
Governmental Funds:		
General fund		219,740
Other governmental funds	\$ 219,740	
	<u>\$ 219,740</u>	<u>219,740</u>

During the course of the school year, expenditures in federal program funds are paid on a reimbursement basis causing the district to borrow moneys from other funds to cover expenditures at year end and not create a deficit. The above interfund loans were made to cover year end expenditures.

B. Transfers In/Out:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds:		
General Fund	\$ 4,137,727	6,611,260
Construction and Improvement	546,389	
Other governmental funds	2,127,580	200,436
	<u>\$ 6,811,696</u>	<u>6,811,696</u>

The above operating transfers in and out were for distribution of MAEP funds to various funds, capital project funding, and transfer of principal and interest funds.

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2005

(5) Capital Assets.

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

	Balance 07/01/04	Additions	Retirements	Completed Construction	Adjustment	Balance 06/30/05
<u>Non-depreciable capital assets:</u>						
Land	\$ 343,261					343,261
Construction in progress	1,832,150	2,199,382		(2,454,874)		1,576,658
Total non-depreciable capital assets	<u>2,175,411</u>	<u>2,199,382</u>	<u>-</u>	<u>(2,454,874)</u>	<u>-</u>	<u>1,919,919</u>
<u>Depreciable capital assets:</u>						
Buildings	38,598,953			2,066,270		40,665,223
Building improvements	39,250					39,250
Improvements other than buildings	2,379,103			388,604		2,767,707
Mobile equipment	4,190,229	418,651	(44,164)			4,564,716
Furniture and equipment	983,430	112,589	(19,384)		82,575	1,159,210
Obligations under capital leases	1,041,907					1,041,907
Total depreciable capital assets	<u>47,232,872</u>	<u>531,240</u>	<u>(63,548)</u>	<u>2,454,874</u>	<u>82,575</u>	<u>50,238,013</u>
<u>Less accumulated depreciation for:</u>						
Buildings	(11,824,993)	(768,356)				(12,593,349)
Building improvements	(3,140)					(3,140)
Improvements other than buildings	(902,806)	(84,790)				(987,596)
Mobile equipment	(3,086,511)	(268,620)	38,552			(3,316,579)
Furniture and equipment	(611,010)	(133,253)	19,191		(13,865)	(738,937)
Obligations under capital leases	(311,549)	(103,850)				(415,399)
Total accumulated depreciation	<u>(16,740,009)</u>	<u>(1,358,869)</u>	<u>57,743</u>	<u>-</u>	<u>(13,865)</u>	<u>(18,055,000)</u>
Total depreciable capital assets, net	<u>30,492,863</u>	<u>(827,629)</u>	<u>(5,805)</u>	<u>2,454,874</u>	<u>68,710</u>	<u>32,183,013</u>
Governmental activities capital assets, net	<u>\$ 32,668,274</u>	<u>1,371,753</u>	<u>(5,805)</u>	<u>-</u>	<u>68,710</u>	<u>34,102,932</u>

Adjustments were made to bring asset and depreciation balances to actual.

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2005

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 910,454
Support services	384,743
Non-instruction	<u>63,672</u>
 Total depreciation expense	 <u>\$1,358,869</u>

The capital assets above include significant amounts of buildings, which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

Commitments under construction contracts at June 30, 2005, are summarized as follows:

Project Name	Remaining Commitment	Required Future <u>Financing</u>
St. Martin Add and Renovation	\$ 1,908,599	
St. Martin East Elem Addition and Renovation	1,424,550	
VC Lower Elem. Classroom Addition	721,232	
HVAC Renovations	1,136,803	
	<u>\$ 5,191,184</u>	<u>\$ -</u>

(6) Long-term liabilities.

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

	Balance 1-Jul-04	Additions	Deletions	Adjustments	Balance 30-Jun-05	Amounts due within one year
A. General obligation bonds payable	\$ 10,845,000	10,100,000	665,000		20,280,000	780,000
B. Three mill notes payable	5,729,144		677,377	(158)	5,051,609	698,989
C. Shortfall notes payable	224,134		224,134		-	-
D. Obligations under capital leases	736,747		133,094		603,653	139,152
E. Compensated absences payable	380,291	1,424			381,715	11,541
Total	<u>\$ 17,915,316</u>	<u>10,101,424</u>	<u>1,699,605</u>	<u>(158)</u>	<u>26,316,977</u>	<u>1,629,682</u>

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2005

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 currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, Series 1996-A Bonds	4.7 - 6.6%	12/15/1997	12/15/2016	\$ 4,250,000	3,150,000
General obligation bonds, Series 1996-B Bonds	4.75 - 6.75%	12/15/1997	12/15/2005	9,550,000	7,080,000
General obligation bonds, Series 2004	1.9 - 4%	12/15/2004	12/15/2015	5,350,000	5,350,000
General obligation bonds, Series 2005	2.25 - 3.2%	6/15/2005	12/15/2013	4,700,000	4,700,000
Total				<u>\$23,850,000</u>	<u>20,280,000</u>

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

Year Ending June 30	Principal	Interest	Total
2006	\$ 780,000	822,610	1,602,610
2007	1,500,000	779,118	2,279,118
2008	1,625,000	723,000	2,348,000
2009	1,710,000	659,528	2,369,528
2010	1,755,000	592,245	2,347,245
2011-2015	10,460,000	1,755,442	12,215,442
2016	2,450,000	55,625	2,505,625
Total	<u>\$ 20,280,000</u>	<u>5,387,568</u>	<u>25,667,568</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2005, the amount of outstanding bonded indebtedness was equal to 7.6% of property assessments as of October 1, 2004. This debt will be retired from the Jackson County G.O. Bond Retirement and Educational Enhancement Building Funds.

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2005

B. Three mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill ten year note	3.38%	4/20/2004	4/20/2014	\$ 45,000,000	4,114,981
Three mill ten year note	4.94%	9/3/1996	9/3/2006	712,000	168,061
Three mill ten year note	4.63%	2/27/1998	9/1/2007	1,158,000	347,400
Three mill ten year note	4.40%	11/3/1998	9/1/2008	950,000	421,244
Total				<u>\$ 47,820,000</u>	<u>5,051,687</u>

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

Year Ending June 30	Principal	Interest	Total
2006	\$ 698,989	183,058	882,047
2007	717,309	155,837	873,146
2008	651,677	128,028	779,705
2009	544,819	103,196	648,015
2010	455,547	83,456	539,003
2011-2014	1,983,346	172,666	2,156,012
Total	<u>\$ 5,051,687</u>	<u>826,241</u>	<u>5,877,928</u>

This debt will be retired from the Three Mill Note Retirement Fund.

C. Shortfall notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall note payable	3.50%	6/28/2002	6/28/2005	651,589	-
Total				<u>\$ 651,589</u>	<u>-</u>

This debt was retired from the Shortfall Notes Fund.

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2005

D. Obligations under capital leases.

The school has entered into a lease agreement that qualifies as a capital lease for accounting purposes. Leased property under this lease is composed of twenty school buses, three tractors with loaders, three maintenance trucks, and three drivers' education automobiles.

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

1. Upon payment of lease payments in full, title to the equipment will be vested permanently in the school district's name, or
2. Upon exercise of the purchase option, the school district may purchase all or any portion of the equipment by giving sixty days notice and by payment or transfer of the applicable purchase option price.
3. The school district also has a prepayment option in that amounts equal to or exceeding ten thousand dollars per prepayment may be made by giving sixty days notice prior to the prepayment.

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Master lease purchase	4.50%	10/17/2001	9/17/2009	\$1,247,913	603,653
			Total	<u>\$1,247,913</u>	<u>603,653</u>

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

<u>Year Ending</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>				
	2006	\$ 139,152	25,619	164,771
	2007	133,776	19,286	153,062
	2008	127,892	13,461	141,353
	2009	133,712	7,641	141,353
	2010	69,121	1,555	70,677
	Total	<u>\$ 603,653</u>	<u>67,562</u>	<u>671,216</u>

This debt will be retired from the EEF – Building and Buses Fund.

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2005

E. Compensated absences payable.

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

(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 current rate is 9.75% 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, 2005, 2004 and 2003 were \$3,080,419, \$2,816,411, and \$ 2,658,561, respectively, which equaled the required contributions for each year.

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For the Year Ended June 30, 2005

(8) Sixteenth Section Lands.

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

<u>Year Ending June 30</u>	<u>Amount</u>
2006	\$ 171,993
2007	156,782
2008	152,249
2009	128,771
2010	117,731
2011-2015	519,640
2016-2020	516,170
2021-2025	516,170
2026-2030	<u>485,912</u>
Total	<u>\$ 2,765,418</u>

(9) Prior Period Adjustments

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>
An adjustment to correct an error in recording an asset in a prior period.	\$ 68,710
An adjustment to correct an error in recording a liability in a prior period.	158
Total	<u>\$ 68,868</u>

## JACKSON COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For the Year Ended June 30, 2005

(10) Litigation.

The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the school district with respect to various proceedings. However, the school district's legal counsel believes that there are no lawsuits or threatened proceedings at the present time that will have a material adverse effect on the financial condition of the school district.

(11) Subsequent Events

On August 8, 2005, the board approved a bid for \$138,010 for the St. Martin Attendance Center Sewage Lagoon. The school district also closed on a bid for Vancleave Middle School Gym of \$2,164,000.

On August 29, 2005, Hurricane Katrina passed through the State of Mississippi. Jackson County School District suffered significant damage to many of its facilities and equipment during this hurricane. The school lost 2 tractors, 4 trucks, and 29 school buses due to the hurricane. An estimate of the amount of loss and reimbursements from insurance proceeds and assistance from the Federal Emergency Management Agency (FEMA) to the district is not determinable at the end of fieldwork.

In March of 2006, the school district was notified that it should receive \$3 million dollars of restart money to help with displaced students.

(12) 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 127 school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Bancorp South Bank in Jackson. The funds in the trust account are used to pay any claim up to \$400,000. For a claim exceeding \$400,000, MSBAWCT has insurance which will pay the excess up to \$25,000,000. 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.

JACKSON COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

JACKSON COUNTY SCHOOL DISTRICT

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Jackson County School District  
 Budgetary Comparison Schedule for General and Major Funds  
 General Fund  
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to Final	Final to Actual
<b>REVENUE</b>					
Local sources	\$ 8,823,997	16,544,166	16,588,970	7,720,169	44,804
State sources	409,851	29,122,968	29,170,633	28,713,117	47,665
Federal sources	117,000	512,623	464,960	395,623	(47,663)
Total revenues	<u>9,350,848</u>	<u>46,179,757</u>	<u>46,224,563</u>	<u>36,828,909</u>	<u>44,806</u>
<b>EXPENDITURES</b>					
Instruction	23,412,051	25,936,131	25,911,131	(2,524,080)	25,000
Support services	12,712,160	16,356,114	16,306,586	(3,643,954)	49,528
Noninstructional services	-	178,538	178,538	(178,538)	-
Facilities acquisition and construction	2,327	373,789	373,789	(371,462)	-
Debt service:					
Principal	64,170	-	-	64,170	-
Interest	15,481	-	-	15,481	-
Total expenditures	<u>36,206,189</u>	<u>42,844,572</u>	<u>42,770,044</u>	<u>(6,638,383)</u>	<u>74,528</u>
Excess(deficiency) of revenues over expenditures	<u>(26,855,341)</u>	<u>3,335,185</u>	<u>3,454,519</u>	<u>30,190,526</u>	<u>119,334</u>
<b>OTHER FINANCING SOURCES</b>					
Insurance loss recoveries	-	7,217	7,217	7,217	-
Sale of transportation equipment	-	2,352	2,352	2,352	-
Sale of other property	-	4,049	4,049	4,049	-
Operating transfers in	-	4,137,727	4,137,727	4,137,727	-
Operating transfers out	(3,421,997)	(6,611,260)	(6,611,260)	(3,189,263)	-
Total other financing sources	<u>(3,421,997)</u>	<u>(2,459,915)</u>	<u>(2,459,915)</u>	<u>962,082</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(30,277,338)</u>	<u>875,270</u>	<u>994,604</u>	<u>31,152,608</u>	<u>119,334</u>
July 1, 2004	8,215,458	8,215,458	8,215,458		
June 30, 2005	<u>\$ (22,061,880)</u>	<u>9,090,728</u>	<u>9,210,062</u>	<u>31,152,608</u>	<u>119,334</u>

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Required Supplementary Information  
For the Year Ended June 30, 2005

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget amendments and revisions.

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

JACKSON COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

JACKSON COUNTY SCHOOL DISTRICT

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JACKSON COUNTY SCHOOL DISTRICT  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2005

Schedule 1

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U. S. Department of Agriculture</u>		
Passed-through Mississippi Department of Agriculture:		
Non-cash assistance:		
Food donations	10.550	\$ 185,780
Child nutrition cluster:		
School breakfast program	10.553	432,449
National school lunch program	10.555	1,273,720
Total child nutrition cluster		<u>1,706,169</u>
Special supplemental nutrition program for women, infants and children	10.557	14,890
Total passed-through Mississippi Department of Agriculture		<u>1,906,839</u>
Direct Programs:		
Distant learning and telemedicine loans and grants	10.855	248,909
Total		<u>248,909</u>
Total U.S. Department of Agriculture		<u>2,155,748</u>
<u>U.S. Department of Defense</u>		
Direct Programs:		
Reserve Officers' Training Corps	12.XXX	53,378
Total U. S. Department of Defense		<u>53,378</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company		
The schools and libraries program of the universal service fund	32.XXX	135,200
Total Federal Communications Commission		<u>135,200</u>
<u>U. S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	1,104,786
Migrant education - basic state grant programs	84.011	450,600
Impact aid	84.041	18,764
Vocational education - basic grants to states	84.048	73,835
Safe and drug-free schools and communities - state grants	84.186	30,103
State grants for innovative programs	84.298	35,370
Education technology state grants	84.318	33,121
Comprehensive school reform demonstration	84.332	42,802
English language acquisition grant	84.365	3,132
Improving teacher quality-state grants	84.367	342,757
Grants for state assessment and related activities	84.369	844
Total		<u>2,136,114</u>
Special education cluster:		
Special education - grants to states	84.027	1,477,567
Special education - preschool grants	84.173	62,991
Total		<u>1,540,558</u>
Total Passed-through Mississippi Department of Education		<u>3,676,672</u>
Total U. S. Department of Education		<u>3,676,672</u>

U. S. Department of Health and Human Services

Direct Programs:

Medical assistance program

93.778 7,222

Total U.S. Department of Health and Human Services

7,222

U. S. Department of Homeland Security

Direct Programs:

Disaster assistance projects

97.088 28,126

Total U.S. Department of Homeland Security

28,126

Total for All Federal Awards

\$ 6,056,346

NOTES TO SCHEDULE

This schedule was prepared using the same basis of accounting and the same basis of accounting policies, as applicable used for the general purpose financial statements.

The expenditure amounts include transfers out.

The pass-through entities did not assign identifying numbers to the school district.

Jackson County School District  
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
 For the Year Ended June 30, 2005

<u>Expenditures</u>	<u>Total</u>	<u>Instruction</u>	<u>Administrative</u>	<u>Other</u>
Salaries and fringe benefits	\$ 41,667,732	27,812,985	4,657,502	9,197,245
Other	15,289,371	2,415,185	435,900	12,438,286
Total	<u>\$ 56,957,103</u>	<u>30,228,170</u>	<u>5,093,402</u>	<u>21,635,531</u>
Total number of students *	7,826			
Cost per student	<u>7,278</u>	<u>3,863</u>	<u>651</u>	<u>2,765</u>

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

**Instruction** - includes the activities dealing directly with the interaction between teachers and students. Included here are

**Administrative** - includes expenditures for the following functions: Support Services - General Administration (2300s);  
 Support Services--School Administration (2400s); and Support Services--Business (2500s)

**Other** - includes all expenditure functions not included in Instruction or Administrative

JACKSON COUNTY SCHOOL DISTRICT

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JACKSON COUNTY SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROL AND COMPLIANCE AND OTHER MATTERS

JACKSON COUNTY SCHOOL DISTRICT

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

May 1, 2006

Superintendent and School Board  
Jackson County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Jackson County School District as of and for the year ended June 30, 2005, which collectively comprise the Jackson County School District's basic financial statements and have issued our report thereon dated May 1, 2006. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our opinion, could adversely affect the school district's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the Schedule of Findings and Questioned Costs as Findings 05-01.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions and, accordingly, would not also disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described in the finding referred to above is not a material weakness.

Compliance and Other Matters

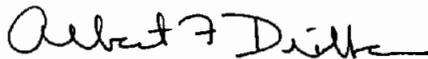
As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a

Albert F. Dribben, CPA  
P. O. Box 1411 113 North Broadway Avenue McComb, MS 39649-1411  
Phone: (601) 684-4819 (601) 684-4870 1-888-299-4829 Toll Free Fax: (601) 684-4818  
Email: [dribbencpa@cableone.net](mailto:dribbencpa@cableone.net) Web: [www.dribbencpa.com](http://www.dribbencpa.com)

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 did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Sincerely,

A handwritten signature in cursive script that reads "Albert F. Dribben".

Albert F. Dribben, CPA  
Dribben & Associates, Ltd.  
McComb, Mississippi

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

May 1, 2006

Superintendent and School Board  
Jackson County School District

Compliance

We have audited the compliance of the Jackson County School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The school district's major federal programs are identified in the summary of auditor's results section of the Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, Jackson County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the Jackson County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the school district's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Albert F. Dribben, CPA

P. O. Box 1411 113 North Broadway Avenue McComb, MS 39649-1411  
Phone: (601) 684-4819 (601) 684-4870 1-888-299-4829 Toll Free Fax: (601) 684-4818  
Email: [dribbencpa@cableone.net](mailto:dribbencpa@cableone.net) Web: [www.dribbencpa.com](http://www.dribbencpa.com)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We did not note any matters involving internal control over compliance and its operation that we consider to be material weaknesses.

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

Sincerely,

A handwritten signature in cursive script that reads "Albert F. Dribben".

Albert F. Dribben, CPA  
Dribben & Associates, Ltd.  
McComb, Mississippi

JACKSON COUNTY SCHOOL DISTRICT

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

JACKSON COUNTY SCHOOL DISTRICT

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

May 1, 2006

Superintendent and School Board  
Jackson County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Jackson County School District as of and for the year ended June 30, 2005, which collectively comprise Jackson County School District's basic financial statements and have issued our report thereon dated May 1, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

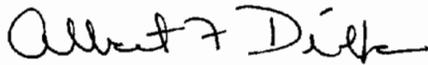
Section 37-9-18(3), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3) (a) (iii), Miss. Code Ann. (1972), relating to classroom supply funds". As required by the state legal compliance audit program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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3) (a) (iii), Miss. Code Ann. (1972) disclosed no instances of noncompliance. The district reported \$75,072 of classroom supply funds carried over from previous years.

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

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

Sincerely,

A handwritten signature in cursive script that reads "Albert F. Dribben".

Albert F. Dribben, CPA  
Dribben & Associates, Ltd.  
McComb, Mississippi

JACKSON COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JACKSON COUNTY SCHOOL DISTRICT

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JACKSON COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2005

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- |     |  |                |
|-----|--|----------------|
| 4.  | Type of auditor's report issued on compliance for major federal programs:  | Unqualified    |
| 5.  | Internal control over major programs:  |                |
| a.  | Material weakness identified?  | No             |
| b.  | Reportable condition(s) identified that are not considered to be material weaknesses?  | No             |
| 6.  | Any audit finding(s) reported as required by Section __.510(a) of Circular A-133?  | No             |
| 7.  | Federal programs identified as major programs:   |                |
| a.  | Title I – Grants to local educational agencies   | CFDA #: 84.010 |
| b.  | Migrant education – Basic state grant programs   | CFDA #: 84.011 |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:   | \$300,000      |
| 9.  | Auditee qualified as a low-risk auditee?   | Yes            |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No             |

JACKSON COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2005

Section 2: Financial Statement Findings

Reportable conditions not considered to be material weaknesses

05-01 Finding

The following internal control weakness was noted during test work performed on general agency activity and club funds receipts and expenditures. Transactions were selected for testing from one month's activity from each school of the district.

1. As reported in the prior years' audit reports, there were numerous instances at three schools where receipts did not indicate the type of payment being submitted.
2. As reported in the prior year's audit report, a number of instances were noted in that the invoices were not marked "PAID" or defaced with writing the check number and the date paid. (NOTE: At times, other documents such as purchase orders or purchase requisitions were marked "PAID" instead. Internal control requires that the invoices be marked "PAID".)

Recommendation

1. All receipts should be completed to include the type of payment. This is an internal control mechanism that is used to match funds received to funds deposited.
2. Invoices should be marked "PAID" or otherwise defaced with check number and date of payment to prevent duplication of payment.

Section 3: Federal Award Findings and Questioned Costs

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

JACKSON COUNTY SCHOOL DISTRICT

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JACKSON COUNTY SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

JACKSON COUNTY SCHOOL DISTRICT

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# Jackson County School District

EAST CENTRAL ST. MARTIN VANCLEAVE

RUCKS H. ROBINSON, SUPERINTENDENT



12210 COLONEL VICKREY ROAD  
POST OFFICE BOX 5069  
VANCLEAVE, MISSISSIPPI 39565-5069

TELEPHONE  
AREA CODE 228  
826-1757  
FAX 826-3393

## Corrective Action Plan June 14, 2006

Mr. Al Dribben  
Dribben & Associates, Ltd.  
P.O. Box 1411  
McComb, MS 39649

Dear Mr. Dribben:

The Jackson County School District respectfully submits the following corrective action plan for the finding stated in the audit for the year ended June 30, 2005.

### Section 2: Findings Relating to the Financial Statements

#### 05-01 Finding

The following internal control weakness was noted during test work performed on general agency activity and club fund receipts. Transactions were selected for testing from one month's activity from each school of the district.

- As reported in the prior years' audit report, there were numerous instances at three schools where receipts did not indicate the type of payment being submitted.

#### Corrective Action

In accordance with your recommendation we will implement the following corrective action on this date.

- All receipts shall be completed to include the type of payment so that this important internal control mechanism may be used to match funds received to funds deposited.

Sincerely,

Harold W. Rushing  
Business Manager  
Phone: (228) 826-4842