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JACKSON COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2007

Presented by:
Dribben & Associates, Ltd.
Albert F. Dribben, CPA
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McComb, MS 39649-1411



JACKSON COUNTY SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL AUDIT REPORT	5
Independent Auditor's Report on the Basic Financial Statements and Supplemental Information	7
MANAGEMENT'S DISCUSSION AND ANALYSIS	9
Management's Discussion and Analysis	11
FINANCIAL STATEMENTS	19
Statement of Net Assets	21
Statement of Activities	22
Balance Sheet- Governmental Funds	23
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	24
Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Funds	25
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	26
Statement of Net Assets-Fiduciary Funds	27
Notes to the Financial Statements	28
REQUIRED SUPPLEMENTAL INFORMATION	45
Budgetary Comparison Schedule – General Fund	47
Budgetary Comparison Schedule—Title I-A Basic Fund	48
Budgetary Comparison Schedule—Restart School Grant Fund	49
Budgetary Comparison Schedule—FEMA/MEMA Grant Fund	50
Notes to the Required Supplemental Information	51
SUPPLEMENTAL INFORMATION	53
Schedule of Expenditure of Federal Awards	55
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds	56
REPORTS OF COMPLIANCE AND INTERNAL CONTROL	57
Independent Auditor's Report on Compliance and Internal Control Over Financial Reports Based on an audit of the Financial Statements Performed in Accordance with Governmental Auditing Standards	59
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance with OMB Circular A-133	61
INDEPENDENT AUDITOR'S REPORT OF COMPLIANCE WITH STATE LAWS AND REGULATIONS	63
Independent Auditor's Report of Compliance with State Laws and Regulations	65
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	67
Schedule of Findings and Questioned Costs	69
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	71

JACKSON COUNTY SCHOOL DISTRICT

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JACKSON COUNTY SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

JACKSON COUNTY SCHOOL DISTRICT

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CERTIFIED PUBLIC ACCOUNTANT

AICPA/MSCPA

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

August 27, 2008

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, 2007, 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 of 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Jackson County School District, as of June 30, 2007, 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 August 27, 2008, 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 and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 11 through 18 and the Budgetary Comparison Schedule and corresponding notes on pages 47 through 51 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

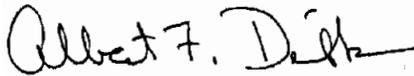
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jackson County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented 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 that reads "Albert F. Dribben". The signature is written in a cursive style with a horizontal line 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

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MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2007

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, 2007. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- Total net assets for 2007 increased \$6,801,102 which represents an approximate 13% increase from fiscal year 2006.
- General revenues account for \$55,276,909 in revenue, or 74% of all revenues for fiscal year 2007. Program specific revenues in the form of charges for services and grants and contributions accounted for \$19,359,840 or 26% of total revenues for 2007.
- The District had \$69,059,881 in expenses for fiscal year 2007. \$19,359,840 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$55,276,909 were adequate to provide for these programs.
- Among major funds, the General Fund had \$52,534,479 in revenues and \$50,807,887 in expenditures. The General Fund's fund balance increased by \$2,966,664 from the prior year.
- Capital assets, net of accumulated depreciation, increased by \$3,362,337 from the prior year. The increase for 2007 was due to completed construction as a result of Hurricane Katrina damages.
- Long-term debt decreased by \$715,880 from the prior year. This increase was due to issuance of new debt in the amount of \$2,490,000 for the purpose of an energy efficiency lease. In addition, liability for compensated absences increased by \$22,704.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

The statement of net assets presents information on all the District's assets and liabilities, with the 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 deteriorating.

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

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

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Districts uses fund accounting to ensure and demonstrate compliance with finances-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 governments-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 used 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.

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

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

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

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

The District adopts an annual operation budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major special revenue fund. Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and a schedule of instructional, administrative and other expenditures for governmental funds is included in 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 the District, assets exceeded liabilities by \$60,989,866 as of June 30, 2007.

The district's net assets are comprised of 1) net assets invested in capital assets, net of related debt, 2) restricted net assets and 3) unrestricted net assets. \$28,601,150 of the District net assets (47%) reflects its investment in capital assets (e. g., land, buildings, building improvements, improvements other than buildings, mobile equipment and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending. \$6,445,602 of the District's net assets (11%) reflects its restricted net assets. A portion of the restricted net assets is expendable for school bases activities, capital improvements, forestry improvements and unemployment benefits. The remaining portion of the restricted net assets is nonexpendable for the sixteenth section investment purposes. \$25,943,114 of the District's net assets (42%) reflects its unrestricted net assets.

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

The following tables present a summary of the District's net assets for the fiscal year ended June 30, 2007 and comparative data for the fiscal year ended June 30, 2006.

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>Total Dollar Variance</u>	<u>Total Percentage Change</u>
Current assets	\$ 34,449,576	32,154,581	2,294,995	7.14%
Capital assets, net	43,074,863	39,712,526	3,362,337	8.47%
Total assets	<u>77,524,439</u>	<u>71,867,107</u>	<u>5,657,332</u>	<u>7.87%</u>
Current liabilities	2,457,358	2,573,942	(116,584)	-4.53%
Long-term debt outstanding	14,077,215	15,104,401	(1,027,186)	-6.80%
Total liabilities	<u>16,534,573</u>	<u>17,678,343</u>	<u>(1,143,770)</u>	<u>-6.47%</u>
Net assets:				
Invested in capital assets, net of related debt	28,601,150	24,975,405	3,625,745	14.52%
Restricted	6,445,602	6,214,207	231,395	3.72%
Unrestricted	25,943,114	22,999,152	2,943,962	-12.80%
Total net assets	<u>\$ 60,989,866</u>	<u>54,188,764</u>	<u>6,801,102</u>	<u>12.55%</u>

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

- Increase in current assets in the amount of \$2,294,995.
- Increase in net capital assets in the amount of \$3,362,337.
- Decrease in current liabilities in the amount of \$116,584

The issuance of long-term debt in the amount of \$2,490,000, combined with payment of principal on debt during the year, resulted in an increase of \$715,880 in long-term debt outstanding.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2007 were \$74,636,749. The total cost of all programs and services was \$69,057,881. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2007 and comparative data for the fiscal year ended June 30, 2006.

	June 30, 2007	June 30, 2006	Total Dollar Variance	Percentage Change
Revenues:				
Program revenues				
Charges for services	\$ 2,640,019	2,102,806	537,213	25.55%
Operating grants and contributions	16,287,973	21,133,240	(4,845,267)	-22.93%
Capital grants and contributions	431,848	259,041	172,807	66.71%
General revenues				
Property taxes	18,649,790	17,727,669	922,121	5.22%
Grants and contributions not restricted	32,781,111	31,153,617	1,627,494	-54.76%
Other	3,846,008	8,500,864	(4,654,856)	-7.72%
Total revenues	74,636,749	80,877,237	(6,240,488)	-7.72%
Expenses:				
Instruction	36,959,015	34,303,010	2,656,005	7.74%
Support services	27,087,760	25,911,844	1,175,916	4.54%
Non-instructional	4,380,281	3,555,655	824,626	23.19%
Sixteenth section	70,483	49,731	20,752	41.73%
Interest & other charges related to long-term liabilities	560,342	543,022	17,320	3.19%
Total expenses	69,057,881	64,363,262	4,694,619	7.29%
Increase in net assets	5,578,868	16,513,975	(10,935,107)	-66.22%
Net Assets, July 1	54,188,764	37,977,331	16,211,433	42.69%
Prior period adjustment	1,222,234	(302,542)	1,524,776	-503.99%
Net Assets, restated, July 1	55,410,998	37,674,789	17,736,209	47.08%
Net Assets, June 30	\$ 60,989,866	54,188,764	6,801,102	12.55%

Governmental activities. The following table presents, for the fiscal year ended June 30, 2007, and comparative data for the fiscal year ended June 30, 2006, the cost of five major District functional activities: instructional, support services, non-instructional, sixteenth section and interest and other expenses on long-term liabilities. The table also shows each function's net cost (total cost less changes for

the 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.

	2007		2006	
	Total Expenses	Net(Expense) Revenue	Total Expenses	Net(Expense) Revenue
Instruction	\$36,959,015	(28,064,461)	\$ 34,303,010	(17,130,602)
Support services	27,087,760	(20,456,021)	25,911,844	(22,666,987)
Non-instructional	4,380,281	(546,734)	3,555,655	(478,253)
Sixteenth Section	70,483	(70,483)	49,731	(49,311)
Interest and other expenses on long-term liabilities	560,342	(560,342)	543,022	(543,022)
	<u>\$69,057,881</u>	<u>(49,698,041)</u>	<u>\$ 64,363,262</u>	<u>(40,868,175)</u>

- The net cost of governmental activities, \$49,698,041 was financed by general revenue, which is made up of primarily property taxes of \$18,649,790, state revenues of \$32,338,657, federal revenues of \$442,454, Sixteenth Section revenues of \$366,529 and other sources of \$2,117,151.
- Investment earnings accounted for \$1,362,328 of funding.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District used 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 balances 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 fiscal year June 30, 2007, its governmental funds reported a combined fund balance of \$33,797,715, an increase of \$4,162,358. \$30,569,254 or 90% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$3,228,461 or 10% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$2,966,664. The fund balance of Other Governmental Funds showed a decrease in the amount of \$966,608, which includes an increase in reserve for inventory of \$9,301. The other major funds and change in fund balances were as follows:

Major Fund	Increase (Decrease) in Fund Balance
Title I-A Basic Fund	\$ -
Restart School Grant Fund	-
FEMA/MEMA Grant Fund	2,162,302

BUDGETARY HIGHLIGHTS

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

Budgeted amounts for revenue from local sources in the General Fund were increased during the fiscal year to more accurately reflect actual local revenues received. Amounts originally budgeted were overstated.

Budgeted amounts for instruction, support services, noninstructional services, principal and interest in the General Fund were revised to more accurately reflect actual expenditures in these categories.

The budgeted amount for proceeds of loans was revised to reflect the amount received in the General Fund.

Budgeted amounts for revenue in the Title I-A Basic Fund were decreased to reflect actual federal revenue received during the fiscal year. The amount originally budgeted were overstated.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. As of June 30, 2007, the District's total capital assets, before depreciation, were \$63,506,840, including land, construction in progress, buildings, building improvements, improvements other than buildings, mobile equipment, and furniture and equipment. This amount represents a gross increase of \$6,844,531 from the prior year. Total accumulated depreciation as of June 30, 2007, was \$20,431,977 and total depreciation expense for the year was \$1,843,216, resulting in total net assets of \$43,074,863.

	Capital Assets, Net of Depreciation		Total Dollar Variance	Total % Change
	2007	2006		
Land	\$ 343,261	343,261	0	0.0%
Construction in progress	450,004	6,449,199	(5,999,195)	-93.0%
Buildings	34,153,646	26,082,184	8,071,462	30.9%
Building improvements	1,490,684	1,555,497	(64,813)	-4.2%
Improvements other than buildings	3,103,330	1,737,837	1,365,493	78.6%
Mobile equipment	2,206,055	2,470,220	(264,165)	-10.7%
Furniture and equipment	1,001,152	680,414	320,738	47.1%
Leased property under capital leases	326,731	393,914	(67,183)	-17.1%
Total	\$ 43,074,863	39,712,526	3,362,337	8.5%

Debt administration. At June 30, 2007, the District had \$15,820,281 in long-term debt outstanding, of which \$1,743,067 is due within one year. In addition, the liability for compensated absences increased \$22,704 from the prior year. The district does not have a bond rating with any one bond rating agency. It purchases bonding insurance whenever the district issues bonds. The district has never defaulted or been late with any debt payments.

	Outstanding Debt			
	2007	2006	Total Dollar Variance	Percentage Change
General obligation bonds payable	\$ 9,120,000	9,920,000	(800,000)	-8.1%
Three-mill notes payable	3,635,389	4,352,620	(717,231)	-16.5%
Obligations under capital leases	246,334	464,501	(218,167)	-47.0%
Obligations under energy efficiency lease	2,428,574	-	2,428,574	
Compensated absences payable	389,984	367,280	22,704	6.2%
Total	\$ 15,820,281	15,104,401	715,880	4.7%

Additional information of the district's long-term debt can be found in Note 5 on page 37 of this report.

CURRENT ISSUES

The Jackson County School District is financially stable and recovering well from Hurricane Katrina. The District lost two schools completely, St. Martin Upper Elementary and St. Martin Middle School. The District is currently in the stages of building a new high school, utilizing the current facilities to replace St. Martin Upper and Middle Schools. The District is using FEMA and MEMA grant money and insurance proceeds for this building project.

The millage rate has not significantly changed over the past several years. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. In addition, the District's system of financial planning, sound 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 steadily increasing after Hurricane Katrina's devastating effects. The budget for the next fiscal year has taken this into account.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report, contact the Superintendent's Office of the Jackson County School District, P. O. Box 5069, Vancleave, MS 39565-5069.

JACKSON COUNTY SCHOOL DISTRICT

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JACKSON COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

JACKSON COUNTY SCHOOL DISTRICT

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JACKSON COUNTY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2007

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 32,320,608
Due from other governments	1,488,347
Inventories and prepaid items	118,959
Restricted assets	521,662
Capital assets, non-depreciable:	
Land	343,261
Construction in progress	450,004
Capital assets, net of accumulated depreciation:	
Buildings	34,153,646
Building improvements	1,490,684
Improvements other than buildings	3,103,330
Mobile equipment	2,206,055
Furniture and equipment	1,001,152
Leased property under capital leases	326,731
Total Assets	<u>77,524,439</u>
Liabilities	
Accounts payable and accrued liabilities	610,193
Deferred revenue	41,668
Interest payable on long-term liabilities	62,431
Long-term liabilities, due within one year	
Capital related liabilities	1,728,482
Non-capital related liabilities	14,584
Long-term liabilities, due beyond one year	
Capital related liabilities	13,701,815
Non-capital related liabilities	375,400
Total Liabilities	<u>16,534,573</u>
Net Assets	
Investment in capital assets, net of related debt	28,601,150
Restricted net assets:	
Expendable:	
School - based activities	4,355,116
Debt service	1,331,631
Forestry improvements	80,308
Unemployment benefits	156,885
Non-expendable:	
Sixteenth section	521,662
Unrestricted	<u>25,943,114</u>
Total Net Assets	<u>\$ 60,989,866</u>

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

JACKSON COUNTY SCHOOL DISTRICT
 Statement of Activities
 For the Year Ended June 30, 2007

Exhibit B

Functions/Programs	Program Revenues			Expenses	Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Governmental Activities	Governmental Activities
Governmental Activities:							
Instruction	\$ 36,959,015	1,341,613	7,398,147	27,087,760	154,794	(28,064,461)	
Support services	4,380,281	-	6,555,223	70,483	76,516	(20,456,021)	
Non-instructional	560,342	1,298,406	2,334,603	-	200,538	(546,734)	
Sixteenth section	-	-	-	-	-	(70,483)	
Interest on long-term liabilities	-	-	-	-	-	(560,342)	
Total governmental activities	\$ 69,057,881	2,640,019	16,287,973	69,057,881	431,848	(49,698,041)	
General Revenues:							
Taxes:							
General purpose levies						16,576,789	
Debt purpose levies						2,073,001	
Unrestricted grants and contributions:							
State						32,338,657	
Federal						442,454	
Unrestricted investment earnings						1,362,328	
Sixteenth section sources						366,529	
Other						2,117,151	
Total General Revenues						55,276,909	
Change in Net Assets						5,578,868	
Net Assets - Beginning						54,188,764	
Prior Period Adjustments:						1,222,234	
Net Assets - Beginning - Restated						55,410,998	
Net Assets - Ending						\$ 60,989,866	

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

JACKSON COUNTY SCHOOL DISTRICT

Balance Sheet - Governmental Funds
June 30, 2007

	Major Funds					Total Governmental Funds
	General Fund	Title I-A Basic Fund	School Grant Fund	Restart Fund	FEMA/MEMA Grant	
ASSETS						
Cash and cash equivalents	\$ 25,448,446	-	-	-	3,980,918	32,842,270
Due from other governments	809,772	103,060	236,241	-	-	1,488,347
Due from other funds	408,927	-	-	-	-	408,927
Inventories	-	-	-	-	-	118,959
Total Assets	\$ 26,667,145	103,060	236,241	236,241	3,980,918	34,858,503
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 334,048	22,143	57,065	82,231	-	610,193
Due to other funds	-	80,917	179,176	-	-	408,927
Deferred revenue	-	-	-	-	-	41,668
Total Liabilities	\$ 334,048	103,060	236,241	82,231	305,208	1,060,788

Fund Balances:						
Reserved for:						
Inventory	-	-	-	-	-	118,959
Unemployment benefits	-	-	-	-	-	156,885
Forestry improvement purposes	-	-	-	-	-	80,308
Capital projects funds	-	-	-	-	-	956,585
Debt service	-	-	-	-	-	1,394,062
Permanent fund purposes	-	-	-	-	-	521,662
Unreserved:						
Undesignated, reported in:						
General fund	26,333,097	-	-	-	-	26,333,097
Special revenue funds	-	-	-	-	3,898,687	4,236,157
Total Fund Balances	26,333,097	-	236,241	3,898,687	3,565,931	33,797,715
Total Liabilities and Fund Balances	\$ 26,667,145	103,060	236,241	3,980,918	3,871,139	34,858,503

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

JACKSON COUNTY SCHOOL DISTRICT

Exhibit C-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2007

	<u>Amount</u>
Total fund balance - governmental funds	\$ 33,797,715
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$20,431,977.	43,074,863
2. Liabilities are not due and payable in the current period and therefore are not reported in the funds.	(15,820,281)
3. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Net Assets recognizes interest as it accrues.	<u>(62,431)</u>
Total Net Assets - Governmental Activities	\$ <u>60,989,866</u>

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

JACKSON COUNTY SCHOOL DISTRICT
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2007

	Major Funds						Other Governmental Funds	Total Governmental Funds
	General Fund	Title I-A Basic Fund	School Grant Fund	Restart Grant Fund	FEMA/MIEMA Grant			
Revenues:								
Local sources	\$ 19,329,923	-	-	-	169,347	3,548,870	23,048,140	
State sources	32,756,907	-	-	-	-	963,638	33,720,545	
Federal sources	447,649	1,060,501	6,051,683	-	3,175,995	5,044,560	15,780,388	
Sixteenth section sources	-	-	-	-	-	366,530	366,530	
Total Revenues	52,534,479	1,060,501	6,051,683	-	3,345,342	9,923,598	72,915,603	
Expenditures:								
Instruction	29,138,070	679,180	3,023,954	-	284,454	3,648,336	36,773,994	
Support services	21,062,461	374,567	3,027,729	-	548,316	1,520,548	26,533,621	
Noninstructional services	565,265	6,754	-	-	27,242	3,382,755	3,982,016	
Sixteenth section	-	-	-	-	-	70,483	70,483	
Facilities acquisition and construction	708	-	-	-	2,044,006	1,219,411	3,264,125	
Debt service:								
Principal	40,176	-	-	-	-	1,756,648	1,796,824	
Interest	1,207	-	-	-	-	534,898	536,105	
Other	-	-	-	-	-	16,524	16,524	
Total Expenditures	50,807,887	1,060,501	6,051,683	-	2,904,018	12,149,603	72,973,692	
Excess (Deficiency) of Revenues Over Expenditures	1,726,592	-	-	-	441,324	(2,226,005)	(58,089)	
Other Financing Sources (Uses):								
Proceeds of loans	2,490,000	-	-	-	-	-	2,490,000	
Insurance loss recoveries	168	-	-	-	1,720,978	-	1,721,146	
Operating transfers in	4,610,793	-	-	-	-	1,563,959	6,174,752	
Operating transfers out	(5,860,889)	-	-	-	-	(313,863)	(6,174,752)	
Total Other Financing Sources (Uses)	1,240,072	-	-	-	1,720,978	1,250,096	4,211,146	
Net Change in Fund Balances	2,966,664	-	-	-	2,162,302	(975,909)	4,153,057	
Fund Balances:								
July 1, 2006	23,366,433	-	-	-	1,736,385	4,532,539	29,635,357	
Increase (Decrease) in reserve for inventory	-	-	-	-	-	9,301	9,301	
June 30, 2007	26,333,097	-	-	-	3,898,687	3,565,931	33,797,715	

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

JACKSON COUNTY SCHOOL DISTRICT
 Reconciliation of the Governmental Funds Statement of Revenues,
 Expenditures and Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2007

Exhibit D-1

	<u>Amount</u>
Net Change in fund balances - governmental funds	\$ 4,153,057
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchase amounted to \$3,985,498 and the depreciation expense amounted to \$1,843,216.	2,142,282
2. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.	1,796,824
3. Governmental funds recognized interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	(7,713)
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.	(2,490,000)
5. Gains and losses on the sale or disposal of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(2,179)
6. Increases (decreases) in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are (decreased) increased in the Statement of Activities.	9,301
7. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds.	
Compensated absences	(22,704)
Change in Net Assets of Governmental Activities	\$ <u>5,578,868</u>

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

JACKSON COUNTY SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2007

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ <u>3,967,015</u>
Total Assets	<u>3,967,015</u>
Liabilities	
Accounts payable and accrued liabilities	3,746,059
Due to student clubs	<u>220,956</u>
Total Liabilities	\$ <u>3,967,015</u>

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

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2007

Notes to 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, to which each member was elected by the citizens of each defined county district.

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

The Statement of Net Assets presents the financial condition of the governmental activities of the school district at year-end. The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the school district's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues 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, 2007

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

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

The school district reports the following major governmental funds:

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

Title I Grants to Local Education Agencies (Title I-A Basic) Fund – This is a special revenue fund used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted.

Hurricane Education Recovery Act (Immediate to Restart) Fund – This is a used to account for the proceeds of specific revenue sources that are legally restricted for use in education needs in the recovery from damages due to a hurricane.

FEMA – MEMA Fund – This is a Hurricane Katrina fund in which the district has elected to place insurance loss recoveries, Federal Emergency Management and Mississippi Emergency Management dollars. The district is using this fund to replace or repair damages from Hurricane Katrina.

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2007

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.

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 Financial Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003* issued by the U.S. Department of Education.

E. Encumbrances.

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

F. Cash and Cash Equivalents.

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

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

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-

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2007

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 three 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.

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

I. Capital Assets.

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

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

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

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

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

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

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2007

J. Long-term liabilities.

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

K. Interfund Transactions and Balances.

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

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

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

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

L. Equity Classifications.

Government-wide Financial Statements:

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

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, 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.

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2007

3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

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

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

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

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

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

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

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

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

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

M. Property Taxes.

Ad valorem property taxes are levied by the governing 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.

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2007

N. Mississippi Adequate Education Program Revenues.

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

O. Compensated Absences.

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

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

(2) Cash and Cash Equivalents.

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

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$32,842,270 and \$3,967,015, respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents \$32,320,608 and restricted assets \$521,662. The restricted assets represent the cash balance of the Sixteenth Section Principal Fund (Permanent Funds) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$39,160,340.

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2007

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2007, none of the district's bank balance of \$39,160,340 was exposed to custodial credit risk.

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
General fund	\$ 408,927	
Title I-A Basic fund		80,917
Restart School Grant fund		179,176
Other governmental funds		148,834
 Total Funds	 <u>\$ 408,927</u>	 <u>408,927</u>

The interfund loans are for amounts loaned between funds to cover expenses while awaiting reimbursement of federal funds.

B. Transfers In/Out.

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General fund	\$ 4,610,793	5,860,889
Other governmental funds	1,563,959	313,863
 Total Funds	 <u>\$ 6,174,752</u>	 <u>6,174,752</u>

The above transfers were for distribution of MAEP monies to various funds, and the transfer of sixteenth section principal and interest funds.

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2007

(4) Capital Assets.

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

	Balance 7/1/2006	Additions	Retirements	Completed Construction	Adjustments	Balance 6/30/2007
Non-depreciable capital assets:						
Land	\$ 343,261	-	-	-	-	343,261
Construction in progress	6,449,199	3,264,125	-	(9,263,320)	-	450,004
Total non-depreciable capital assets	6,792,460	3,264,125	-	(9,263,320)	-	793,265
Depreciable capital assets:						
Buildings	37,967,491	-	-	7,773,964	2,697,732	48,439,187
Building improvements	1,620,309	-	-	-	-	1,620,309
Improvements other than buildings	2,727,837	-	-	1,489,356	108,370	4,325,563
Mobile equipment	5,280,788	51,119	(21,786)	-	55,554	5,365,675
Furniture and equipment	1,475,323	670,254	-	-	19,163	2,164,740
Obligations under capital lease	798,101	-	-	-	-	798,101
Total depreciable capital assets	49,869,849	721,373	(21,786)	9,263,320	2,880,819	62,713,575
Less accumulated depreciation for:						
Buildings	(11,885,307)	(923,835)	-	-	(1,476,399)	(14,285,541)
Building improvements	(64,812)	(64,812)	-	-	(1)	(129,625)
Improvements other than buildings	(990,000)	(145,535)	-	-	(86,698)	(1,222,233)
Mobile equipment	(2,810,568)	(324,557)	19,607	-	(44,102)	(3,159,620)
Furniture and equipment	(794,909)	(319,433)	-	-	(49,246)	(1,163,588)
Obligations under capital lease	(404,187)	(65,044)	-	-	(2,139)	(471,370)
Total accumulated depreciation	(16,949,783)	(1,843,216)	19,607	-	(1,658,585)	(20,431,977)
Total depreciable capital assets, net	32,920,066	(1,121,843)	(2,179)	9,263,320	1,222,234	42,281,598
Governmental activities capital assets, net	\$ 39,712,526	2,142,282	(2,179)	-	1,222,234	43,074,863

Adjustments were made to reclassify some assets and to adjust balances to actual. Large adjustment to buildings and building depreciation was due to prior years' errors. Prior years' amounts were taken from printouts that did not include still existing buildings that had been previously depreciated out; however, school district had included them on their records of all assets.

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2007

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 170,263
Support services	546,284
Noninstructional	54,796
Facilities acquisition and construction	<u>1,071,873</u>
 Total	 <u><u>\$ 1,843,216</u></u>

Commitments under construction contracts at June 30, 2007, are summarized as follows:

	<u>Remaining Commitment</u>	<u>Required Future Financing</u>
Vancleave Upper Elementary	\$ 25,329	-
Vancleave High Football Lighting	152,177	-
St. Martin High School (New)	<u>-</u>	<u>-</u>
 Total	 <u><u>\$ 177,506</u></u>	 <u><u>-</u></u>

NOTE: Only professional fees had been incurred of \$16,837 on the new St. Martin High School. See subsequent events for information on bidding of this project.

(5) Long-term liabilities.

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

	<u>Balance 7/1/2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2007</u>	<u>Amount Due within one year</u>
A. General obligation bonds payable	\$ 9,920,000	-	800,000	9,120,000	855,000
B. Three mill notes payable	4,352,620		717,231	3,635,389	651,677
C. Obligations under capital leases	464,501		218,167	246,334	95,251
D. General obligation under energy efficiency lease	-	2,490,000	61,426	2,428,574	126,554
E. Compensated absences payable	367,280	22,704		389,984	14,584
Total	<u><u>\$ 15,104,401</u></u>	<u><u>2,512,704</u></u>	<u><u>1,796,824</u></u>	<u><u>15,820,281</u></u>	<u><u>1,743,066</u></u>

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2007

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 refunding bonds, Series 2004	3.0-4%	08-15-2004	12-15-2015	\$ 5,400,000	5,055,000
General obligation refunding bonds, Series 2005	2.6-3.2%	03-15-2005	12-15-2013	<u>4,700,000</u>	<u>4,065,000</u>
Total				<u>\$ 10,100,000</u>	<u>9,120,000</u>

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

Year Ending June 30	Principal	Interest	Total
2008	\$ 855,000	294,370	1,149,370
2009	890,000	270,263	1,160,263
2010	905,000	244,860	1,149,860
2011	945,000	217,725	1,162,725
2012	990,000	188,300	1,178,300
2013-2016	<u>4,535,000</u>	<u>368,765</u>	<u>4,903,765</u>
Total	<u>\$ 9,120,000</u>	<u>1,584,283</u>	<u>10,704,283</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, 2007, the amount of outstanding bonded indebtedness was equal to 2.65% of property assessments as of October 1, 2006. This debt will be retired from the General Obligation Bond Refunding Fund 4031.

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2007

B. Three mill ten year notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill ten year note	4.40%	11-03-1998	09-01-2008	\$ 950,000	215,368
Three mill ten year note	4.3625%	02-27-1998	09-01-2007	1,158,000	115,800
Three mill ten year note	3.3750%	04-29-2004	04-29-2014	4,500,000	3,304,221
Total				<u>\$ 6,608,000</u>	<u>3,635,389</u>

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

Year Ending June 30	Principal	Interest	Total
2008	\$ 651,677	128,028	779,705
2009	545,567	102,445	648,012
2010	455,547	83,456	539,003
2011	471,135	67,868	539,003
2012	487,115	51,888	539,003
2013-2016	1,024,348	53,658	1,078,006
Total	<u>\$ 3,635,389</u>	<u>487,343</u>	<u>4,122,732</u>

This debt will be retired from the Bond Debt Service Funds 4023, 4024 and 4025.

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2007

C. Obligations under capital leases.

The school district has entered into a lease agreement that qualifies as a capital lease for accounting purposes. Leased property under this lease was composed of 20 buses, three tractors, three trucks and three cars.

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

1. Upon payment of the lease in full, title to the equipment will be vested permanently in the school district's name, which will fulfill the purchase option price.
2. Prior to fulfillment of the lease term, the school district may exercise the option to purchase any or all of the equipment by giving a 60 day notice and payment of the related purchase option price.
3. Prepayments may be made by the district in increments equal to or greater than \$10,000, only at times specified within the lease agreement.

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

Year Ending June 30	Principal	Interest	Total
2008	\$ 95,251	10,026	105,277
2009	99,586	5,691	105,277
2010	51,497	1,140	52,637
Total	\$ 246,334	16,857	263,191

This debt will be retired from the Building and Buses Educational Enhancement Fund 2410 and District Maintenance Fund 1120.

D. General obligation under energy efficiency lease.

The school district has entered into a lease agreement for improvements, additions, repairs, replacements or modifications of its buildings for energy efficiency.

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

1. Upon installation of the improvements, additions, repairs, replacements or modifications, title will pass to the school district, provided that the payment of the amount due is made. If not, the title will immediately be vested to the lessor.
2. The school district may exercise a prepayment option at any time.
 - a. The lessor has guaranteed an energy savings as measured from the guarantee date until the end of the performance guarantee period.

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2007

The general obligation energy efficiency lease is a direct obligation and pledges the full faith and credit of the school district. General obligation under energy efficiency lease outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation energy efficiency lease	3.99%	05-12-2007	11-15-2021	\$ 2,490,000	2,428,574
Total				<u>\$ 2,490,000</u>	<u>2,428,574</u>

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

Year Ending June 30	Principal	Interest	Total
2008	\$ 126,554	95,650	222,204
2009	131,653	90,551	222,204
2010	136,959	85,245	222,204
2011	142,478	79,726	222,204
2012	148,220	73,984	222,204
2013-2017	835,654	275,366	1,111,020
2018-2022	907,056	92,859	999,915
Total	<u>\$ 2,428,574</u>	<u>793,381</u>	<u>3,221,955</u>

This debt will be retired from the Energy Efficiency Improvement Retirement Fund 4091.

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.

(6) Defined Benefit Pension Plan.

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

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2007

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The rate for fiscal year ended June 30, 2007, was 11.30% 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, 2007, 2006 and 2005 were \$3,985,561, \$3,346,639, and \$3,080,419, respectively, which equaled the required contributions for each year.

(7) Sixteenth Section Lands.

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

Year Ending June 30	Amount
2008	\$ 172,472
2009	162,022
2010	141,728
2011	136,313
2012	133,090
2013-2017	665,450
2018-2022	665,450
2023-2027	665,450
2028-2032	552,804
2033-2037	469,826
Thereafter	522,365
Total	\$ 4,286,970

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2007

(8) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanations</u>	<u>Amount</u>
1. An adjustment to correct prior year errors in reporting capital assets and in reporting the related accumulated depreciation.	\$ 1,222,234
Total	<u>\$ 1,222,234</u>

(9) Litigation

The school district is the defendant in a case in the Jackson County Circuit Court resulting from a claim of injury. The district has also been served with notice of claims in three other matters. It is not possible at this time to estimate the result of these matters; however, the attorney for the school district states that they will be handled by the school's liability carrier and that the insurance coverage will cover any costs in these matters. There has been one Equal Employment Opportunity Commission claim brought against the school. It has been turned over to the district's employment practice liability insurance carrier who is actively defending the charge.

(10) Subsequent Events.

On August 12, 2008, the school district signed a contract for construction of a new St. Martin High School building for \$41,400,000. The cost of construction for this facility will be from Federal Emergency Management Administration (FEMA) funds; therefore, there will be no borrowing of funds. In design phase are the following projects which will be paid for from district funds:

- Vanceleave High School-addition of 12 classrooms
- Vanceleave Lower Elementary -addition of 4 classrooms
- East Central Middle School-restroom renovations
- East Central Lower Elementary-addition of 7 classrooms

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2007

(11) 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 121 school districts and one community college and covers risks of loss arising from injuries to the member's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by BancorpSouth Bank in Jackson. The funds in the trust account are used to pay any claim up to \$700,000. For a claim exceeding \$700,000, MSBAWCT has insurance which will pay the excess up to the statutory amount required by the Mississippi Workers Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

(12) Prior Year Defeasance of Debt.

In prior years, the Jackson County School District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the district's financial statements. On June 30, 2007, \$9,580,000 of outstanding bonds is considered defeased.

JACKSON COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

JACKSON COUNTY SCHOOL DISTRICT

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JACKSON COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 17,228,349	19,329,923	19,329,923	2,101,574	-
State sources	32,833,562	32,756,907	32,756,907	(76,655)	-
Federal sources	700,577	447,649	447,649	(252,928)	-
Total Revenues	<u>50,762,488</u>	<u>52,534,479</u>	<u>52,534,479</u>	<u>1,771,991</u>	<u>-</u>
Expenditures:					
Instruction	31,376,076	29,138,070	29,138,070	2,238,006	-
Support services	18,311,330	21,062,461	21,062,461	(2,751,131)	-
Noninstructional services	141,712	565,265	565,265	(423,553)	-
Facilities acquisition and construction	-	708	708	(708)	-
Debt service:					
Principal	-	40,176	40,176	(40,176)	-
Interest	-	1,207	1,207	(1,207)	-
Total Expenditures	<u>49,829,118</u>	<u>50,807,887</u>	<u>50,807,887</u>	<u>(978,769)</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures					
	933,370	1,726,592	1,726,592	793,222	-
Other Financing Sources (Uses):					
Proceeds of loans	-	2,490,000	2,490,000	2,490,000	-
Insurance loss recoveries	-	168	168	168	-
Operating transfers in	4,505,147	4,610,793	4,610,793	105,646	-
Insurance loss recoveries	-	-	-	-	-
Operating transfers out	<u>(5,656,496)</u>	<u>(5,860,889)</u>	<u>(5,860,889)</u>	<u>(204,393)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(1,151,349)</u>	<u>1,240,072</u>	<u>1,240,072</u>	<u>2,391,421</u>	<u>-</u>
Net Change in Fund Balances					
	(217,979)	2,966,664	2,966,664	3,184,643	-
Fund Balances:					
July 1, 2006			<u>23,366,433</u>		
June 30, 2007			<u>\$ 26,333,097</u>		

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

JACKSON COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Title I-A Basic Fund
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues:				
Federal sources	\$ 1,632,095	1,060,501	1,060,501	(571,594)	-
Total Revenues	<u>1,632,095</u>	<u>1,060,501</u>	<u>1,060,501</u>	<u>(571,594)</u>	<u>-</u>
Expenditures:					
Instruction	945,101	679,180	679,180	265,921	-
Support services	635,534	374,567	374,567	260,967	-
Noninstructional services	41,766	6,754	6,754	35,012	-
Total Expenditures	<u>1,622,401</u>	<u>1,060,501</u>	<u>1,060,501</u>	<u>561,900</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	9,694	-	-	(9,694)	-
Fund Balances:					
July 1, 2006			<u>-</u>		
June 30, 2007			\$ <u><u>-</u></u>		

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

JACKSON COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Restart School Grant Fund
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 5,000,000	6,051,683	6,051,683	1,051,683	-
Total Revenues	<u>5,000,000</u>	<u>6,051,683</u>	<u>6,051,683</u>	<u>1,051,683</u>	<u>-</u>
Expenditures:					
Instruction	5,000,000	3,023,954	3,023,954	1,976,046	-
Support services	-	3,027,729	3,027,729	(3,027,729)	-
Total Expenditures	<u>5,000,000</u>	<u>6,051,683</u>	<u>6,051,683</u>	<u>(1,051,683)</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	-	-	-
Net Change in Fund Balances			<u>-</u>		
Fund Balances:					
July 1, 2006			<u>-</u>		
June 30, 2007			\$ <u><u>-</u></u>		

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

JACKSON COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 FEMA/MEMA Grant
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ -	169,347	169,347	169,347	-
Federal sources	2,500,000	2,271,336	3,175,995	(228,664)	904,659
Total Revenues	<u>2,500,000</u>	<u>2,440,683</u>	<u>3,345,342</u>	<u>(59,317)</u>	<u>904,659</u>
Expenditures:					
Instruction	-	284,454	284,454	(284,454)	-
Support services	-	548,316	548,316	(548,316)	-
Noninstructional services	-	27,242	27,242	(27,242)	-
Facilities acquisition and construction	2,500,000	2,044,006	2,044,006	455,994	-
Total Expenditures	<u>2,500,000</u>	<u>2,904,018</u>	<u>2,904,018</u>	<u>(404,018)</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	-	(463,335)	441,324	(463,335)	904,659
Other Financing Sources (Uses):					
Insurance loss recoveries	-	1,720,978	1,720,978	1,720,978	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,720,978</u>	<u>1,720,978</u>	<u>1,720,978</u>	<u>-</u>
Net Change in Fund Balances			<u>2,162,302</u>		
Fund Balances:					
July 1, 2006			<u>1,736,385</u>		
June 30, 2007			<u>\$ 3,898,687</u>		

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

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Required Supplementary Information
For the Year Ended June 30, 2007

(1) Basis of Presentation.

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

(2) Budget amendments and revisions.

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

JACKSON COUNTY SCHOOL DISTRICT

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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, 2007

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U. S. Department of Agriculture</u>		
Direct Programs:		
Distance learning and telemedicine loans and grants	10.855	\$ 80,940
Total		<u>80,940</u>
Passed-through Natural Resources Conservation: Wetlands reserve program	10.072	<u>37,385</u>
Passed-through Mississippi Department of Agriculture:		
Non-cash assistance:		
Food donations	10.550	<u>251,240</u>
Child nutrition cluster:		
School breakfast program	10.553	558,830
National school lunch program	10.555	1,556,065
Total Child Nutrition Cluster		<u>2,114,895</u>
Total U. S. Department of Agriculture		<u>2,484,460</u>
<u>U. S. Department of Health and Human Services</u>		
Direct Programs:		
Medical assistance program	93.778	2,827
Total		<u>2,827</u>
<u>U. S. Department of Homeland Security</u>		
Direct Programs:		
Disaster grants public assistance (Presidentially declared disasters)	97.036	1,820,482
Total		<u>1,820,482</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administration Company:		
The schools and libraries program of the universal service fund	32.XXX	281,903
Total		<u>281,903</u>
<u>U. S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	1,060,500
Impact aid	84.041	2,885
Vocational education - basic grants to states	84.048	123,265
Safe and drug-free schools and communities - state grants	84.186	45,806
State grants for innovative programs	84.298	15,496
Education technology state grants	84.318	6,954
Transition to teaching	84.350	160
English language acquisition grant	84.365	3,803
Improving teacher quality-state grants	84.367	341,467
Hurricane education recovery act	84.938	6,051,683
Total		<u>7,652,019</u>
Special education cluster:		
Special education - grants to states	84.027	2,004,782
Special education - preschool grants	84.173	49,273
Total		<u>2,054,055</u>
Total Passed-through Mississippi Department of Education		<u>9,706,074</u>
Total U. S. Department of Education		<u>9,706,074</u>
<u>Other Federal Assistance</u>		
Direct Programs:		
Reserve Officers' Training Corps	12.XXX	59,575
Total Other Federal Awards		<u>59,575</u>
Total for All Federal Awards		<u>\$ 14,355,321</u>

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 – Government Funds
 For the Year Ended June 30, 2007

Expenditures	Total	Instruction and Other			
		Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 47,192,591	36,561,833	1,514,544	3,539,676	5,576,538
Other	25,781,101	9,395,173	365,806	131,456	15,888,666
Total	\$ 72,973,692	45,957,006	1,880,350	3,671,132	21,465,204
Total number of students *	8,064				
Cost per student	\$ 9,049	5,699	233	455	2,662

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

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

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

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

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

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

JACKSON COUNTY SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

JACKSON COUNTY SCHOOL DISTRICT

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CERTIFIED PUBLIC ACCOUNTANT

AICPA/MSCPA

**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**

August 27, 2008

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, 2007, which collectively comprise Jackson County School District's basic financial statements and have issued our report thereon dated August 27, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

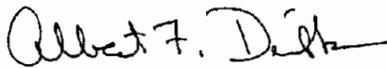
Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all the deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. We did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

Compliance and Other Matters

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

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

Sincerely,

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

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



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

August 27, 2008

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, 2007. 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, 2007.

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

61

Al Dribben, CPA

P.O. Box 1411 113 North Broadway McComb MS 39649
601-684-4819 Phone 601-684-4818 Fax 1-888-299-4829 MS Toll Free email dribbencpa@cableone.net

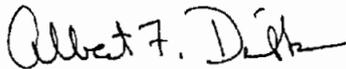
A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

Sincerely,



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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CERTIFIED PUBLIC ACCOUNTANT

AICPA/MSCPA

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

August 27, 2008

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, 2007, which collectively comprise Jackson County School District's basic financial statements and have issued our report thereon dated August 27, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by 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 stat 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)(ii), Miss Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$4,166 of classroom supply funds carried over from previous years.

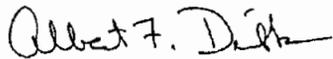
Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

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

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

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

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, 2007

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 weaknesses identified? | No |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | No |

Federal Awards:

- | | | |
|----|--|---------------|
| 4 | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5 | Internal control over major programs: | |
| | a. Material weakness identified? | No |
| | b. Significant deficiency identified that is not considered to be material weakness? | No |
| 6 | Any audit finding reported as required by Section __.510(a) of Circular A-133? | No |
| 7 | Federal programs identified as major programs: | |
| | a. Nutrition cluster | |
| | School breakfast program | CFDA#: 10.553 |
| | National school lunch program | CFDA#: 10.555 |
| | b. Special education cluster | |
| | Special education - grants to states | CFDA#: 84.027 |
| | Special education - preschool grants | CFDA#: 84.173 |
| | c. Title I grants to local educational agencies | CFDA#: 84.010 |
| | d. Disaster grants public assistance (Presidentially declared disasters) | CFDA#: 97.036 |
| 8 | The dollar threshold used to distinguish between type A and type B programs: | \$ 430,660 |
| 9 | Auditee qualified as 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? | Yes |

Section 2: Financial Statement Finding

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

Section 3: Federal 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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JACKSON COUNTY SCHOOL DISTRICT

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Jackson County School District

EAST CENTRAL ST. MARTIN VANCELEAVE

BARRY AMACKER, Ed.D., SUPERINTENDENT



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AREA CODE 228
826-1757
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November 21, 2008

Summary Schedule of Prior Audit Findings

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

Dear Mr. Dribben,

The Jackson County School District submits the following summary schedule of a prior audit finding regarding federal funds.

2006 Finding Number 06-5.

Programs: Passed through the Mississippi Department of Education:
CFDA #84,027; Special education - grants to states
CFDA #84,173; Special education - preschool grants

Compliance requirement: Cash Management

The district is responsible for establishing internal controls to provide reasonable assurance that the draw down of federal cash is only for immediate cash needs.

Adequate controls were not in place to ensure that funds drawn down from federal programs were for the immediate cash needs of the district and that all salaries paid were attributable to that federal grant. As a result, federal funds were requested in excess of immediate cash needs from the Mississippi State Department of Education, and fiscal year end journal entries were made decreasing expenditures in the federal program due to reclassification of employee salaries which were paid from the federal program throughout the year and at year end were adjusted by journal entry to the General Fund.

This situation represents a weakness over the controls related to the cash management requirements for this federal program.

Requesting funds prior to immediate needs resulted in noncompliance with the federal program's requirements.

Recommendation

We recommend that the district implement policies and procedures to ensure compliance with the cash management requirement for federal program funds, which requires the district to minimize the amount of time program funds are held before disbursement.

Current Status: The Jackson County School District is fully aware of cash management requirements of the federal programs and is currently in compliance with said requirements.

Sincerely,

Harold W. Rushing
Business Manager

