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Audited Financial Statements
June 30, 2007

J.E. Fortenberry, III, PC
Certified Public Accountant

FINANCIAL AUDIT REPORT

**Rankin County School District
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INDEPENDENT AUDITOR'S REPORT
ON THE BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

J.E. FORTENBERRY, III, PC
Certified Public Accountant

**INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS
ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND
SUPPLEMENTARY INFORMATION**

Superintendent and School Board
Rankin County School District

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Rankin County School District as of and for the year ended June 30, 2007, which collectively comprise the Rankin County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Rankin County School District's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Rankin 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*, I have also issued my report dated December 12, 2007 on my consideration of the Rankin County School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis on pages 8 through 17 and the Budgetary Comparison Schedule and corresponding notes on pages 49 through 52 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation

of the required supplementary information. However, I did not audit the information and express no opinion on it.

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



J.E. Fortenberry, III, P.C.
December 12, 2007

Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS

**RANKIN COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

The discussion and analysis of Rankin 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.

Rankin County School District is the third largest school district in the State of Mississippi, serving grades kindergarten through twelve with a student enrollment of approximately 17,700. The district consists of twenty-five schools in its eight attendance zones. The attendance zones are Brandon, Florence, McLaurin, Northwest, Pelahatchie, Pisgah, Puckett, and Richland. Over the last five years, the district's enrollment has increased approximately 2,000 students.

FINANCIAL HIGHLIGHTS

- Total net assets increased \$9,037,352, which represents an 11% increase from fiscal year 2006. This increase is due primarily to proceeds of a \$17,000,000 note for building purposes.
- General revenues account for \$117,480,217, or 84% of all revenues. This amount was more than the general revenues of \$105,062,982 for the year 2006, which were 82% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$22,083,154 or 16% of total revenues compared with \$22,863,673 in 2006.
- The District had \$130,526,019 in expenses, compared with \$115,503,167 in expenses for the prior year; \$22,083,154 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$117,480,217 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$107,542,558 in revenues and \$101,980,337 in expenditures. In 2006 the General Fund had \$97,984,350 in revenues and \$94,410,021 in expenditures. The General Fund's fund balance increased \$2,595,311 over the prior year. The increase was due primarily to an increase in local and state revenues.
- Capital assets, net of accumulated depreciation, decreased by \$1,025,846 due primarily to depreciation expense exceeding the cost of capital assets purchased in fiscal year 2007.
- Long-term debt increased by \$10,916,775. This increase was due to \$17,000,000 in new

debt that was issued in fiscal year 2007 and annual payments were made to decrease existing debt.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

Statements provide a detailed short-term view of the school district's operations. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 24 and 28, respectively.

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.

The basic governmental fund financial statements can be found on page 22 and 26 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Assets and Liabilities on page 29.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31 - 47 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 49 - 52 of this report.

Additionally, a schedule of federal awards, required by OMB Cir. A-133 and a schedule of instructional, administrative and other expenditures for Governmental Funds can be found on page 54 and 55 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$94,867,563 as of June 30,

2007.

By far the largest portion of the District's net assets (45%) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, leased property under capital leases and construction in progress), 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.

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

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2007 and 2006.

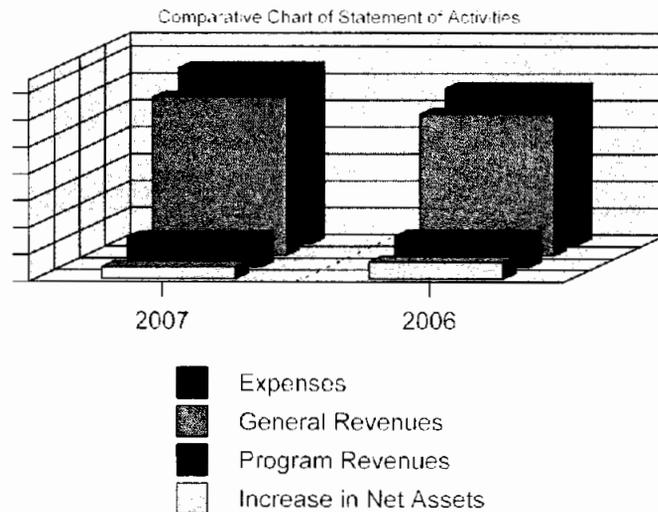
	2007	2006	Percentage Change
Assets			
Current assets	\$ 55,036,031	33,911,868	62%
Capital assets, net	146,126,249	147,152,095	-1%
Total assets	201,162,280	181,063,963	11%
Liabilities			
Current liabilities	2,520,734	2,425,660	4%
Long-term liabilities	103,773,983	92,857,208	12%
Total liabilities	106,294,717	95,282,868	12%
Net Assets:			
Invested in capital assets, net of related debt	43,042,248	54,945,774	-22%
Restricted	34,099,330	16,709,000	104%
Unrestricted	17,725,985	14,126,321	25%
Total Net Assets	\$ 94,867,563	85,781,095	11%

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

- The increase in current assets is represented primarily by cash. This is primarily the result of the proceeds of a \$17,000,000 note.
- The increase in long-term liabilities is due to the addition of new debt of \$17,000,000 which was offset by payments on existing debt.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2007 were \$139,563,371. The total cost of all programs and services was \$130,526,019. The following page shows a table that presents a summary of the changes in net assets for the fiscal year ended June 30, 2007 and 2006.

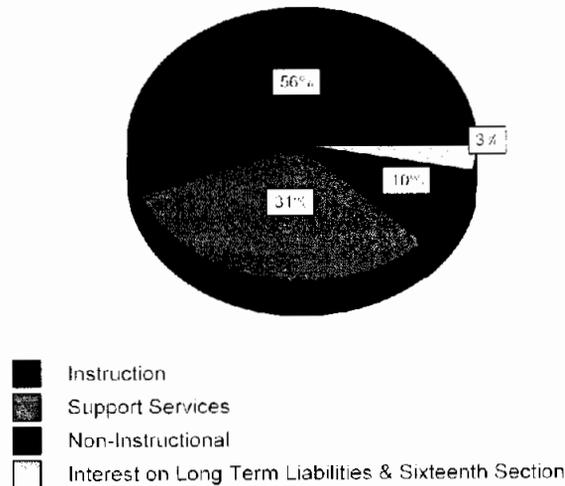
	2007	2006	Percentage Change
Revenues			
Program Revenues			
Charges for services	\$ 13,027,451	11,962,715	9%
Operating Grants and Contributions	5,704,347	8,124,910	-30%
Capital Grants and Contributions	3,351,356	2,776,048	21%
Total Program Revenues	22,083,154	22,863,673	-3%
General Revenues			
Property Taxes	44,759,810	41,877,769	7%
Unrestricted Grants and Contributions	66,856,385	60,129,169	11%
Unrestricted Investment Earnings	2,374,474	1,230,620	93%
Sixteenth Section Sources	2,630,451	1,339,124	96%
Other	859,097	486,300	77%
Total General Revenues	117,480,217	105,062,982	12%
Total revenues	139,563,371	127,926,655	9%
Expenses			
Instruction	73,231,009	56,754,156	29%
Support services	40,700,029	38,678,565	5%
Non-instructional	12,781,774	15,234,253	-16%
Sixteenth section	390,794	190,621	105%
Interest on long-term liabilities	3,422,413	4,645,572	-26%
Total expenses	130,526,019	115,503,167	13%
Increase (Decrease) in net assets	9,037,352	12,423,488	-27%
Net Assets, July 1	85,781,095	73,372,952	17%
Prior Period Adjustment	49,116	(15,345)	-420%
Net Assets, June 30	\$ 94,867,563	85,781,095	11%



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

	2007	2006	2007	2006
	Expenses	Expenses	Net (Expense) Revenue	Net (Expense) Revenue
Instruction	\$ 73,231,009	56,754,156	(61,878,506)	(44,597,926)
Support Services	40,700,029	38,678,565	(38,020,822)	(35,212,732)
Non-Instructional	12,781,774	15,234,253	(4,878,862)	(7,995,974)
Sixteenth Section	390,794	190,621	(242,262)	(187,290)
Interest on Long-Term Liabilities	3,422,413	4,645,572	(3,422,413)	(4,645,572)
	\$ 130,526,019	115,503,167	(108,442,865)	(92,639,494)

Expenses as per Statement of Activities



- Net cost of governmental activities of \$108,442,865, was financed by general revenue, which is made up of primarily of unrestricted state grants of \$66,329,214 and property taxes of \$44,759,810.
- Investment earnings accounted for \$2,374,474 of funding.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Governmental funds. The focus of the District's governmental funds is to provide information

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$53,741,375, an increase of \$20,786,331, due primarily to proceeds of new debt of \$17,000,000. In the governmental funds \$22,234,119, or 41% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. This fund balance is also used for cash flow shortages during the year.

The General Fund is the principal operating fund of the District. Its fund balance was \$17,547,857 at June 30, 2007 which reflected an increase of \$2,595,311 from the previous fiscal year. The fund balance of the 2007 Note Issue Fund reflected an increase of \$16,253,650. This increase was mainly to reflect the proceeds of long term debt issued for \$17,000,000. The 2001 Debt Service Fund showed a fund balance of \$4,549,961, showing an increase of \$824,828 for the fiscal year. The Sixteenth Section Principal Fund showed an increase of \$813,959 with a fund balance of \$6,685,967. The fund balance of Other Governmental Funds was \$8,703,940, which showed an increase of \$298,583 for the year ended June 30, 2007.

BUDGETARY HIGHLIGHTS

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

General Fund:

Budgeted amounts for revenue from local sources were increased mostly for the activity funds of the schools. The original budget underestimated the revenue of the activity funds. Likewise the budgeted amounts for the expenditures were increased mostly for the activity funds of the schools. The original budget underestimated the expenditures of the activity funds.

EHA Part B Grant Fund:

When the original budget was prepared, revenues and expenditures were estimated. As the actual allocations were made available, amendments were made to the budget.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and the major special revenue fund is shown on pages 49 and 50 as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2007, the District's total capital assets were \$184,269,670, including land, school buildings, improvements other than buildings, buses, other school vehicles, furniture and equipment, and construction in progress. This amount represents an increase of \$3,058,781 from the previous year. Total accumulated depreciation as of June 30, 2007 was \$38,143,421 and total depreciation expense for the year was \$4,383,802, resulting in total net capital assets of \$146,126,249.

	Capital Assets, Net of Depreciation		Percentage Change
	2007	2006	
Land	\$ 5,944,538	5,944,538	0%
Construction in progress	1,456,696	707,406	106%
Buildings	130,943,523	133,429,513	-2%
Improvements other than buildings	1,934,695	1,146,507	69%
Mobile equipment	4,394,707	4,218,458	4%
Furniture and equipment	1,452,090	1,705,673	-15%
	\$ 146,126,249	147,152,095	-1%

Additional information of the District's capital assets can be found in Note 4 on page 41 of this report.

Debt Administration. At June 30, 2007, the District had \$76,980,000 in general obligation bonds outstanding and \$26,793,983 in other long-term debt outstanding, of which \$6,978,094 is due within one year. These amounts exclude compensated absences. The District maintains an A+ bond rating with Standard and Poor's.

			Percentage Change
	2007	2006	
General obligation bonds payable	\$ 76,980,000	81,730,000	-6%
Three Mill note payable	25,820,000	9,915,000	160%
Obligation under capital leases	284,001	561,321	-49%
Compensated absences	689,982	650,887	6%
	\$ 103,773,983	92,857,208	12%

Additional information of the District's long-term debt can be found in Note 5 on page 42 of this report.

CURRENT ISSUES AND OTHER INFORMATION

Rankin County School District has committed itself to financial excellence for many years. This is evident by the fact that the "Certificate Recognizing Achievement in Financial Reporting" and the "Certificate Recognizing Achievement in Fixed Asset Management", issued by the Office of the State Auditor, has been awarded to the school district for the last several years. The District's system of financial planning, budgeting, and internal financial controls are well regarded.

The assessed valuation of the Rankin County School District at October 1, 2006 is \$967,766,673.

The district's operational tax millage rate for fiscal year 2007 is 39.06 mills and the debt service millage rate is 11.92 mills. The total millage rate of 50.98 mills is one of the lowest when compared to the other districts of the metro Jackson area and other districts of comparable enrollment. The table on the next page compares tax rates of these districts with the Rankin County School District.

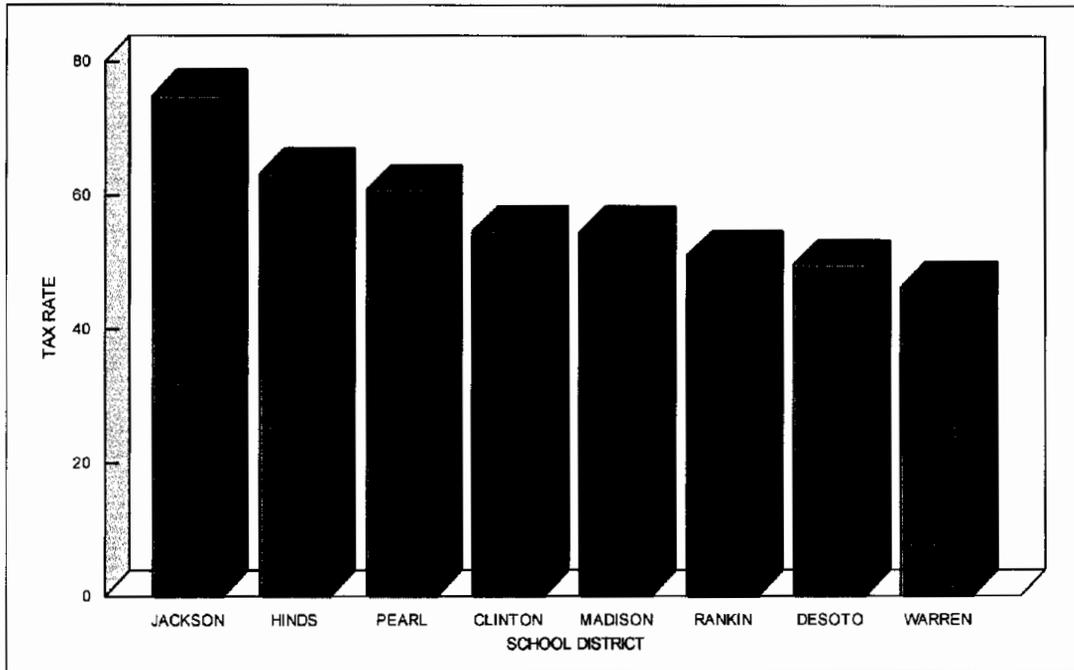
The Rankin County School District is financially stable. The Mississippi State Department of Education requires a school district to maintain the fund balance of the District Maintenance Fund (main operating fund) at a level of at least 5% of its total revenues. At June 30, 2007, the district maintenance fund balance was \$15,600,264, or 15% of total revenues.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Rankin County School District, P. O. Box 1359, Brandon, MS 39043.

**RANKIN COUNTY SCHOOL DISTRICT
COMPARISON OF TAX RATES
FOR FISCAL YEAR 2007**

SCHOOL DISTRICT	TAX RATE (MILLS)
JACKSON	74.99
HINDS	63.24
PEARL	60.87
CLINTON	54.57
MADISON	54.55
RANKIN	50.98
DESOTO	49.53
WARREN	46.20



FINANCIAL STATEMENTS

RANKIN COUNTY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2007

	Governmental Activities
ASSETS	
Assets:	
Cash and cash equivalents	\$ 44,752,346
Investments	3,242,372
Due from other governments	3,295,537
Accrued interest receivable	93,082
Other receivables, net	78,230
Inventories and prepaid items	145,999
Restricted assets	3,428,465
Capital assets, non-depreciable	
Land	5,944,538
Construction in progress	1,456,696
Capital assets, net of accumulated depreciation	
Buildings	130,943,523
Improvements other than buildings	1,934,695
Mobile equipment	4,394,707
Furniture and equipment	1,452,090
Total Assets	<u>201,162,280</u>
Liabilities:	
Accounts payable and accrued liabilities	1,223,729
Deferred revenue	46,782
Interest payable on long-term liabilities	1,250,223
Long-term liabilities (due within one year)	
Capital related liabilities	6,978,094
Long-term liabilities (due beyond one year)	
Capital related liabilities	96,105,907
Non-capital related liabilities	689,982
Total Liabilities	<u>106,294,717</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	43,042,248
Restricted For:	
School Based Activities	2,605,109
Debt Service	8,029,077
Capital Improvements	15,943,089
Forestry Improvements	526,842
Unemployment Benefits	309,246
Sixteenth Section	
Expendable	366,603
Nonexpendable	6,319,364
Unrestricted	17,725,985
Total Net Assets	<u>\$ 94,867,563</u>

The accompanying notes are an integral part of this statement.

RANKIN COUNTY SCHOOL DISTRICT
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2007

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
<i>Instruction</i>	73,231,009	4,976,007	3,025,140	3,351,356	(61,878,506)
<i>Support services</i>	40,700,029	--	2,679,207	--	(38,020,822)
<i>Noninstructional services</i>	12,781,774	7,902,912	--	--	(4,878,862)
<i>Sixteenth section</i>	390,794	148,532	--	--	(242,262)
<i>Interest on long-term liabilities</i>	3,422,413	--	--	--	(3,422,413)
Total Primary Government	<u>\$ 130,526,019</u>	<u>\$ 13,027,451</u>	<u>\$ 5,704,347</u>	<u>\$ 3,351,356</u>	<u>(108,442,865)</u>
General Revenues:					
Taxes:					
					33,624,428
					11,135,382
<i>Unrestricted grants and contributions:</i>					
					66,329,214
					527,171
					2,374,474
					2,630,451
					859,097
Total general revenues					<u>117,480,217</u>
					9,037,352
					85,781,095
					49,116
					85,830,211
Net Assets- Ending					<u>\$ 94,867,563</u>

The accompanying notes are an integral part of this statement.

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RANKIN COUNTY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2007

	General Fund	EHA Part B Grant Fund	2007 Note Issue Fund
ASSETS			
Assets:			
<i>Cash and other deposits</i>	\$ 15,251,339	\$ --	\$ 16,422,896
<i>Investments</i>	--	--	--
<i>Due from other governments</i>	1,776,208	456,848	--
<i>Accrued interest receivable</i>	--	--	77,952
<i>Other receivables, net</i>	230	--	--
<i>Due from other funds</i>	1,307,271	--	--
<i>Inventories and prepaid items</i>	--	--	--
Total Assets	\$ 18,335,048	\$ 456,848	\$ 16,500,848
LIABILITIES AND FUND BALANCES			
Liabilities:			
<i>Accounts payable and accrued liabilities</i>	\$ 759,566	\$ --	\$ 247,198
<i>Due to other funds</i>	--	456,848	--
<i>Deferred revenue</i>	27,625	--	--
Total Liabilities	787,191	456,848	247,198
Fund balances:			
Reserved for:			
<i>Inventory</i>	--	--	--
<i>Debt service</i>	--	--	--
<i>Permanent funds</i>	--	--	--
<i>Unemployment</i>	--	--	--
<i>Forestry</i>	--	--	--
<i>Capital projects</i>	--	--	16,253,650
Unreserved, undesignated, reported in:			
<i>General fund</i>	17,547,857	--	--
<i>Special revenue fund</i>	--	--	--
<i>Permanent funds</i>	--	--	--
Total Fund Balances	17,547,857	--	16,253,650
Total Liabilities and Fund Balances	\$ 18,335,048	\$ 456,848	\$ 16,500,848

2001 Debt Service Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
\$ 4,277,000	\$ 3,428,465	\$ 8,801,111	\$ 48,180,811
-	3,242,372	-	3,242,372
272,961	-	613,066	3,119,083
-	15,130	-	93,082
-	-	53,855	54,085
-	-	451	1,307,722
-	-	145,999	145,999
<u>\$ 4,549,961</u>	<u>\$ 6,685,967</u>	<u>\$ 9,614,482</u>	<u>\$ 58,143,154</u>
\$ -	\$ -	\$ 216,965	\$ 1,223,729
-	-	674,420	1,131,268
-	-	19,157	46,782
<u>-</u>	<u>-</u>	<u>910,542</u>	<u>2,401,779</u>
-	-	145,999	145,999
4,549,961	-	3,402,194	7,952,155
-	6,319,364	-	6,319,364
-	-	309,246	309,246
-	-	526,842	526,842
-	-	-	16,253,650
-	-	-	17,547,857
-	-	4,319,659	4,319,659
-	366,603	-	366,603
<u>4,549,961</u>	<u>6,685,967</u>	<u>8,703,940</u>	<u>53,741,375</u>
<u>\$ 4,549,961</u>	<u>\$ 6,685,967</u>	<u>\$ 9,614,482</u>	<u>\$ 58,143,154</u>

RANKIN COUNTY SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2007

Total fund balances - governmental funds balance sheet	\$ 53,741,375
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	146,126,249
Sixteenth section receivable	24,145
Payables for bond principal which are not due in the current period are not reported in the funds.	(88,325,000)
Payables for capital leases which are not due in the current period are not reported in the funds.	(95,907)
Payables for bond interest which are not due in the current period are not reported in the funds.	(1,250,223)
Payables for notes which are not due in the current period are not reported in the funds.	(7,685,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(689,982)
Liabilities due in one year are not recognized in the funds	<u>(6,978,094)</u>
Net assets of governmental activities - statement of net assets	<u>\$ 94,867,563</u>

The accompanying notes are an integral part of this statement.

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RANKIN COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2007

	General Fund	EHA Part B Grant Fund	2007 Bond Issue Fund
Revenue:			
<i>Local sources</i>	\$ 39,434,546	\$ --	\$ 691,685
<i>State sources</i>	67,544,099	--	--
<i>Federal sources</i>	563,913	2,822,515	--
<i>Sixteenth section sources</i>	--	--	--
Total revenues	<u>107,542,558</u>	<u>2,822,515</u>	<u>691,685</u>
Expenditures:			
<i>Instruction</i>	64,889,868	1,586,877	--
<i>Support services</i>	34,956,092	1,076,204	--
<i>Noninstructional services</i>	1,342,014	--	--
<i>Sixteenth section</i>	--	--	--
<i>Facilities acquisition and construction</i>	496,103	--	1,287,298
<i>Debt service:</i>			
<i>Principal</i>	277,320	--	--
<i>Interest</i>	18,940	--	--
<i>Other</i>	--	--	169,995
Total expenditures	<u>101,980,337</u>	<u>2,663,081</u>	<u>1,457,293</u>
Excess (deficiency) of revenues (under) expenditures	5,562,221	159,434	(765,608)
Other financing sources (uses):			
<i>Proceeds of refunding bonds</i>	--	--	--
<i>Proceeds of loans</i>	--	--	17,000,000
<i>Insurance loss recoveries</i>	17,225	--	--
<i>Sale of transportation equipment</i>	6,353	--	--
<i>Sale of other property</i>	3,445	--	--
<i>Transfers In</i>	--	--	--
<i>Other financing sources</i>	--	--	19,258
<i>Transfers Out</i>	(2,992,933)	(159,434)	--
<i>Payment to refunded bond escrow agent</i>	--	--	--
<i>Other financing uses</i>	(1,000)	--	--
Total other financing sources (uses)	<u>(2,966,910)</u>	<u>(159,434)</u>	<u>17,019,258</u>
Net Change in Fund Balance	2,595,311	--	16,253,650
Fund Balances:			
July 1, 2006	15,133,046	--	--
Prior period adjustment	(180,500)	--	--
July 1, 2006 as restated	<u>14,952,546</u>	<u>--</u>	<u>--</u>
Increase (decrease) in reserve for inventory	--	--	--
June 30, 2007	<u>\$ 17,547,857</u>	<u>\$ --</u>	<u>\$ 16,253,650</u>

The accompanying notes are an integral part of this statement.

EXHIBIT D

2001 Debt Service Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
\$ 6,671,952	\$ --	\$ 8,441,009	\$ 55,239,192
--	--	1,604,564	69,148,663
--	--	8,294,391	11,680,819
--	874,538	1,880,300	2,754,838
<u>6,671,952</u>	<u>874,538</u>	<u>20,220,264</u>	<u>138,823,512</u>
--	--	6,976,558	73,453,303
--	--	4,032,501	40,064,797
--	--	6,159,404	7,501,418
--	--	390,794	390,794
--	--	732,575	2,515,976
44,615,000	--	4,600,000	49,492,320
2,824,867	--	258,492	3,102,299
182,919	--	5,027	357,941
<u>47,622,786</u>	<u>--</u>	<u>23,155,351</u>	<u>176,878,848</u>
(40,950,834)	874,538	(2,935,087)	(38,055,336)
43,370,000	--	--	43,370,000
--	--	--	17,000,000
--	--	18,887	36,112
--	--	--	6,353
--	--	295	3,740
--	--	4,490,091	4,490,091
655,062	--	1,542	675,862
--	(60,579)	(1,277,145)	(4,490,091)
(2,249,400)	--	--	(2,249,400)
--	--	--	(1,000)
<u>41,775,662</u>	<u>(60,579)</u>	<u>3,233,670</u>	<u>58,841,667</u>
824,828	813,959	298,583	20,786,331
3,725,133	5,872,008	8,083,166	32,813,353
--	--	310,561	130,061
<u>3,725,133</u>	<u>5,872,008</u>	<u>8,393,727</u>	<u>32,943,414</u>
--	--	11,630	11,630
<u>\$ 4,549,961</u>	<u>\$ 6,685,967</u>	<u>\$ 8,703,940</u>	<u>\$ 53,741,375</u>

RANKIN COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds	\$ 20,786,331
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	3,477,888
The depreciation of capital assets used in governmental activities is not reported in the funds.	(4,383,802)
The gain or loss on the sale of capital assets is not reported in the funds.	(32,634)
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(6,353)
Sixteenth section receivable	24,145
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	48,120,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	277,320
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	1,095,000
(Increase) decrease in accrued interest from beginning of period to end of period	76,922
The increase in inventory is an adjustment to fund balance in the funds but affects expense in the SOA	11,630
Compensated absences are reported as amount earned in SOA but as amount paid in the funds.	(39,095)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	<u>(60,370,000)</u>
Change in net assets of governmental activities - statement of activities	<u>\$ 9,037,352</u>

The accompanying notes are an integral part of this statement.

RANKIN COUNTY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

JUNE 30, 2007

	<u>Agency Funds</u>
ASSETS	
<i>Cash and other deposits</i>	\$ 5,166,186
Total Assets	<u>\$ 5,166,186</u>
LIABILITIES	
<i>Accounts payable and accrued liabilities</i>	\$ 4,670,749
<i>Due to student clubs</i>	318,983
<i>Due to other funds</i>	176,454
Total Liabilities	<u>\$ 5,166,186</u>

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements

For the year ended
June 30, 2007

Rankin County School District

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

(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 statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government Wide Financial Statements:

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

The Statement of Net Assets presents the financial condition of the governmental activities of the school district at year-end. The Government-Wide Statements 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.

Rankin County School District

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

Fund Financial Statements:

Fund financial statements of the reporting entity 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 so 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 - The General Fund is the school district's primary operating fund. It is used to account for all financial resources of the school district, except those required to be accounted for in another fund.

EHA Part B Grant Fund - This is the school district's federal reimbursable fund that provides a free and appropriate public education to special needs students.

2007 Note Issue Fund - This fund is used to account for the construction

Rankin County School District

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

and renovations financed by the 2007 Note Issue.

2001 Debt Service Fund- This fund is used to account for the accumulation of resources for, and the payment of principal, interest, and related costs of, the 2001 Bond Issue.

Sixteenth Section Principal Fund - This fund is used to account for sixteenth section resources that are legally restricted; only earnings, and not the principal, may be used for purposes that support the district's programs.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of **Exhibit C**.

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 sources for major capital projects) that are legally restricted for specific expenditure purposes.

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

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

Permanent Funds - Permanent Funds are used to account for assets held by the governmental unit where only the earnings the assets generate may be used by the governmental unit.

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 result of operations.

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in the *Governmental Accounting, Auditing, and Financial Reporting* as issued in 2005 by the Government Finance Officers Association and re consistent with the broad classifications recommended in

Rankin County School District

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

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

For accounting purposes, certificates of deposit are classified as investments if they have a maturity of greater than three months when acquired. Investments are reported at fair value.

H. Inventories and Prepaid Items.

Donated inventories 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 cost of governmental fund type inventories are reported as expenditures when purchased.

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

I. Capital Assets.

Rankin County School District

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

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 assets 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 scale 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 amounts will correspond with the amounts for the asset classifications, as listed. See **Note 4** for details.

J. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. In the government-wide Statement of Net Assets, long-term debt and other long-term 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 receivables are reported as "due from other funds" and are considered available expendable resources.

Transfers are used to (a) move revenues from the fund that statute or budget requires

Rankin County School District

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

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:

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

b. 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.

c. 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 further split between 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 all reserves used by the district:

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

Reserved for debt service - An account that represents that portion of 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.

Rankin County School District

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

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.

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 - 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 purposes than that for which it is restricted.

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

N. Mississippi Adequate Education Program Revenues.

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

O. Compensated Absences.

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

The liability for these compensated absences is recorded as long-term liabilities in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the

Rankin County School District

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

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 and investments.

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

Deposits. The school board must advertise and accept bids for depositories no less than one 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.

Investments. Section 29-3-113 and 37-59-43 Miss. Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Amounts less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$48,180,811 and \$5,166,186

Rankin County School District

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

respectively. The carrying amount of deposits reported in the government wide statements was: cash and cash equivalents \$44,752,346 and restricted assets \$3,428,465. The restricted assets of \$3,428,465 represent the investment and cash balance of the Sixteenth Section Principal fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the districts's programs. The bank balance was \$49,413,472.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, the district will not be able to recover deposits or collateral securities tat 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 \$49,413,472 was exposed to custodial credit risk.

Investments.

As of June 30, 2007, the district had the following investments in the investment pool.

Investment Type	Maturities (in years)	Fair Value	Rating
US Government Bonds-			
Fed Ntl Mtg. Assoc.	12-27-07	\$ 991,880	AAA
Fed Home Ln Bk Cons	04-23-09	1,118,019	AAA
Fed Home Ln Bk Cons	10-29-08	<u>1,132,473</u>	AAA
Total Investments		<u>\$ 3,242,372</u>	

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

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

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

Rankin County School District

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

credit risk. Of the district's investments \$3,242,372 of underlying securities are held by the investment's counterparty, not in the name of the district.

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

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
US Government Bonds-Rating AAA	\$ <u>3,242,372</u>	100%
	\$ <u>3,242,372</u>	

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	<u>Due From</u>	<u>Due To</u>
Governmental funds:		
General fund	\$ 1,307,271	0
EHA Part B Grant Fund	0	456,848
Other Governmental Funds	451	674,420
Agency Funds	<u>0</u>	<u>176,454</u>
Total Funds	<u>\$ 1,307,722</u>	<u>1,307,722</u>

Interfund loans exist primarily to avoid a deficit cash balance in federal funds. All balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out

	<u>Transfer In</u>	<u>Transfers Out</u>
Governmental funds:		
General fund	\$ 0	2,992,933
EHA Part B Grant Fund	0	159,434
Sixteenth Section Principal Fund	0	60,579
Other Governmental Funds	<u>4,490,091</u>	<u>1,277,145</u>
Total Funds	<u>\$ 4,490,091</u>	<u>4,490,091</u>

Rankin County School District

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

The purpose of the transfers was to provide funds for general operating activities. All transfers were routine and consistent with the fund making the transfer.

(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	\$ 5,944,538					5,944,538
Construction in progress	707,406	2,361,964		(1,612,674)		1,456,696
Total non-depreciable capital assets	<u>6,651,944</u>	<u>2,361,964</u>	<u>0</u>	<u>(1,612,674)</u>	<u>0</u>	<u>7,401,234</u>
Depreciable capital assets:						
Buildings	157,927,910		82,236	734,153	(101,903)	158,477,924
Improvements other than bldgs.	1,706,671			878,521		2,585,192
Mobile equipment	10,327,507	936,044	148,272			11,115,279
Furniture and equipment	4,596,857	179,880	144,349		57,653	4,690,041
Total depreciable capital assets	<u>174,558,945</u>	<u>1,115,924</u>	<u>374,857</u>	<u>1,612,674</u>	<u>(44,250)</u>	<u>176,868,436</u>
Less accumulated depreciation for:						
Buildings	24,498,397	3,114,021	65,789		(12,228)	27,534,401
Improvements other than bldgs.	560,164	90,333				650,497
Mobile equipment	6,109,049	744,299	132,776			6,720,572
Furniture and equipment	2,891,184	435,149	137,305		48,923	3,237,951
Total accumulated depreciation	<u>34,058,794</u>	<u>4,383,802</u>	<u>335,870</u>	<u>0</u>	<u>36,695</u>	<u>38,143,421</u>
Total depreciable capital assets, net	<u>140,500,151</u>	<u>(3,267,878)</u>	<u>38,987</u>	<u>1,612,674</u>	<u>(80,945)</u>	<u>138,725,015</u>
Governmental activities capital assets, net	<u>\$ 147,152,095</u>	<u>(905,914)</u>	<u>38,987</u>	<u>0</u>	<u>(80,945)</u>	<u>146,126,249</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$2,306,475
Support services	1,550,717
Non-instructional	<u>526,610</u>
Total depreciation expense	<u>\$4,383,802</u>

The adjustments were made to correctly reflect capital assets at year end. Kitchen equipment was purchased and included in contractor's cost of the Puckett Cafeteria in 2001. The equipment amount was \$101,903 and was erroneously included in the building cost. The accumulated depreciation was adjusted accordingly.

Rankin County School District

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

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

	Remaining Commitment	Required Future Financing
Florence High - baseball field	\$ 191,666	0
Highland Bluff Elementary	8,275,946	0
Total	<u>\$ 8,467,612</u>	<u>0</u>

(5) Long-term Liabilities.

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

	Balance 7-1-2006	Additions	Reductions	Adjustments	Balance 6-30-2007	Amounts due within one year
A. General obligation bonds payable	\$ 81,730,000	43,370,000	48,120,000		76,980,000	5,110,000
B. Three mill notes payable	9,915,000	17,000,000	1,095,000		25,820,000	1,680,000
C. Obligations under capital leases	561,321		277,320		284,001	188,094
D. Compensated absences payable	650,887	71,639	32,544		689,982	
Total	<u>\$ 92,857,208</u>	<u>60,441,639</u>	<u>49,524,864</u>	<u>0</u>	<u>103,773,983</u>	<u>6,978,094</u>

A. General Obligation Bonds Payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, Series 1998	Varies	06-01-98	02-01-15	\$ 33,045,000	18,595,000
General obligation bonds, Series 2002	Varies	03-06-02	10-01-20	69,350,000	15,105,000
General obligation bonds, Refunding Series 2006	Varies	10-01-06	10-01-20	43,370,000	43,280,000
Total				<u>\$ 145,765,000</u>	<u>76,980,000</u>

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

Rankin County School District

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

Year Ending June 30	Principal	Interest	Total
2008	\$ 5,110,000	5,769,531	10,879,531
2009	5,315,000	5,521,556	10,836,556
2010	5,690,000	5,253,881	10,943,881
2011	5,890,000	4,961,844	10,851,844
2012	4,525,000	3,540,382	8,065,382
2013 - 2017	29,790,000	8,213,763	38,003,763
2018 - 2022	20,660,000	2,149,931	22,809,931
Total	\$ 76,980,000	35,410,888	112,390,888

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 7.95% of property assessments as of October 31, 2006. This debt will be retired from the Bond Issue Retirement funds.

Current Refunding.

On August 23, 2006, the district issued \$43,370,000 in general obligation bonds with an average interest rate of 4.2% to advance refund of \$61,315,000 of outstanding general obligation bonds with an interest rate that varies. The net proceeds of \$56,135,600 After payments of \$2,249,400 for issuance costs were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements on the general obligation bond. As a result, the general obligation bonds are considered to be defeased and the liability for those bonds has been removed from long-term liabilities. The district advance refunded the general obligation bonds - original issue to reduce its total debt service payments over the remaining 7 years of the debt by approximately \$61,315,000 and to obtain an economic gain of \$655,062.

B. Three Mill Note Payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
2004 Three Mill Note	3.13%	02-20-2004	03-01-2014	\$ 12,000,000	8,820,000
2007 Three Mill Note	Var.	08-01-2006	08-01-2026	17,000,000	17,000,000

Rankin County School District

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

Total \$ 29,000,000 25,820,000

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,680,000	1,394,411	3,074,411
2009	1,740,000	965,420	2,705,420
2010	1,805,000	905,520	2,710,520
2011	1,875,000	844,733	2,719,733
2012	1,945,000	782,383	2,727,383
2013 - 2017	6,435,000	2,855,891	9,290,891
2018-2022	4,605,000	1,716,128	6,321,128
2018 - 2022	<u>5,735,000</u>	<u>637,625</u>	<u>6,372,625</u>
Total	\$ <u>25,820,000</u>	<u>10,102,111</u>	<u>35,922,111</u>

This debt will be retired from the 2004 Three Mill 10 Year Debt Service Fund and the 2006 Three Mill 20 Year Debt Service Fund.

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 is composed of computer products. The various options available to the lessee for this lease are as follows:

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

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

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 188,094	\$22,359	\$210,453
2009	<u>95,907</u>	<u>11,596</u>	<u>107,503</u>
Total	<u>\$284,001</u>	<u>\$33,955</u>	<u>\$317,956</u>

This debt will be retired from the district maintenance fund.

D. Compensated Absences.

Rankin County School District

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

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.

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 the 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 \$8,112,765, \$7,323,003, and \$6,046,965, respectively, which equaled the required contributions for each year.

(7) Other Commitments.

Commitments under construction contracts are described in Note 4.

Operating Leases:

The school district has several operating leases for the following:

1. Copiers
2. Risographs
3. Duplicators

Lease expenditures for the year ended June 30, 2007, amounted to \$253,941. Future lease payments for these leases are as follows:

Year Ending	
<u>June 30,</u>	<u>Amount</u>
2008	\$185,757
2009	99,668
2010	<u>22,525</u>
Total	\$307,950

Rankin County School District

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

(8) Sixteenth Section Lands.

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property.

Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending		Amount
<u>June 30</u>		<u>Amount</u>
2008	\$	758,853
2009		742,701
2010		737,927
2011		696,689
2012		648,169
2013 - 2017		3,220,551
2018 - 2022		3,205,627
2023 - 2027		3,200,875
2028 - 2032		2,477,506
2033 - 2037		1,569,106
2038 - 2042		654,664
2043 - 2047		169,089
2048 - 2052		32,088
Thereafter		210,573
Total	\$	<u>18,324,418</u>

(9) Subsequent Events.

On July 31, 2007 the Rankin School District incurred capital lease obligations in the amount of \$731,500. The school district's master lease will bear interest payable (5.23%) in October and April, and will mature in the years 2007 through 2010.

(10) Risk Management.

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

Rankin County School District

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

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 Bancorp South 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.

(11) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>
1 A reclassification of capital assets and its corresponding accumulated depreciation to the correct category.	\$ 80,945
2 Amount booked was more than the amount settled with contractor.	210,898
3 During the year the school district reviewed their agency funds and these amounts were reclassified to general activity funds.	(30,398)
4 Amount booked was more than the amount settled with contractor.	(310,561)
Total	<u>\$ (49,116)</u>

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

<u>Major funds:</u>	<u>Explanation(s)</u>	<u>Amount</u>
General Fund	Amount booked was more than the amount settled with contractor.	\$ 210,898
	During the year the school district reviewed their agency funds and these amounts were reclassified to general activity funds.	(30,398)
2007 Bond Issue	Amount booked was more than the amount settled with contractor.	(310,561)
		<u>\$ (130,061)</u>

REQUIRED SUPPLEMENTARY INFORMATION

RANKIN COUNTY SCHOOL DISTRICT

Exhibit 1

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	\$ 37,679,257	38,886,733	39,434,546	1,207,476	547,813
State sources	66,275,493	66,275,493	67,544,099	0	1,268,606
Federal sources	263,000	264,000	563,913	1,000	299,913
Total Revenues	104,217,750	105,426,226	107,542,558	1,208,476	2,116,332
Expenditures:					
Instruction	65,156,136	66,583,509	64,889,868	(1,427,373)	1,693,641
Support services	35,625,673	35,490,021	34,956,092	135,652	533,929
Noninstructional services	1,423,022	1,423,022	1,342,014	0	81,008
Facilities acquisition and construction		428,406	496,103	(428,406)	(67,697)
Debt Service					
Principal	296,263	296,263	277,320	0	18,943
Interest			18,940	0	(18,940)
Total Expenditures	102,501,094	104,221,221	101,980,337	(1,720,127)	2,240,884
Excess (Deficiency) of Revenues Over Expenditures	1,716,656	1,205,005	5,562,221	(511,651)	4,357,216
Other Financing Sources (Uses):					
Insurance Loss Recoveries			17,225	0	17,225
Sale of Transportation Equipment			6,353	0	6,353
Sale of Other Property			3,445	0	3,445
Transfers In	9,500,482	9,500,482	10,111,902	0	611,420
Transfers Out	(11,668,668)	(12,059,415)	(13,104,835)		(1,045,420)
Other financing uses			(1,000)	0	(1,000)
Total Other Financing Sources (Uses)	(2,168,186)	(2,558,933)	(2,966,910)	(390,747)	(407,977)
Net Change in Fund Balances	(451,530)	(1,353,928)	2,595,311	(902,398)	3,949,239
Fund Balances:					
July 1, 2006			15,133,046	0	15,133,046
Prior period adjustments (Note)			(180,500)		
July 1, 2006, as restated	0	0	14,952,546	0	15,133,046
Increase (Decrease) in reserve for inventory	0	0	0	0	0
June 30, 2007	\$ (451,530)	(1,353,928)	17,547,857	(902,398)	18,901,785

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

RANKIN COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 EHA Part B Grant Fund
 For the Year Ended June 30, 2007

Exhibit 2

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 2,670,436	3,141,867	2,822,515	471,431	(319,352)
Total Revenues	<u>2,670,436</u>	<u>3,141,867</u>	<u>2,822,515</u>	<u>471,431</u>	<u>(319,352)</u>
Expenditures:					
Instruction	1,628,860	1,995,941	1,586,877	(367,081)	409,064
Non-Instructional	<u>981,576</u>	<u>1,085,926</u>	<u>1,076,204</u>	<u>(104,350)</u>	<u>9,722</u>
Total Expenditures	<u>2,610,436</u>	<u>3,081,867</u>	<u>2,663,081</u>	<u>(471,431)</u>	<u>418,786</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>60,000</u>	<u>60,000</u>	<u>159,434</u>	<u>0</u>	<u>99,434</u>
Other Financing Sources (Uses):					
Transfers out	<u>(60,000)</u>	<u>(60,000)</u>	<u>(159,434)</u>	<u>0</u>	<u>(99,434)</u>
Total Other Financing Sources (Uses)	<u>(60,000)</u>	<u>(60,000)</u>	<u>(159,434)</u>	<u>0</u>	<u>(99,434)</u>
Net Change in Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances:					
July 1, 2006	0	0	0	0	0
Prior period adjustments (Note)					
July 1, 2006, as restated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Increase (Decrease) in reserve for inventory	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Residual equity transfer in (out)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
June 30, 2007	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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

**NOTES TO THE REQUIRED SUPPLEMENTARY
INFORMATION**

Rankin County School District

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

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

SUPPLEMENTAL INFORMATION

Rankin County School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2007

Schedule 1

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal <u>Expenditures</u>
U. S. DEPARTMENT OF AGRICULTURE/ Passed-through the Mississippi Department of Education:		
Non-cash assistance:		
Food Donation	10.550	\$390,766
Child Nutrition Cluster:		
School Breakfast Program	10.553	331,343
National School Lunch Program	10.555	2,494,966
Total child nutrition cluster		<u>2,826,309</u>
Total passed-through the MDE		<u>3,217,075</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE		<u>3,217,075</u>
U. S. DEPARTMENT OF JUSTICE		
Public Safety Partnership and Community Policing Grants	16.710	389,746
Total passed-through the MDJ		<u>389,746</u>
FEDERAL COMMUNICATION COMMISSION		
Administered through Universal Service Administrative Company:		
The school and libraries program of the Universal Service Fund	32.xxx	209,766
Total Federal Communication Commission		<u>209,766</u>
U. S. DEPARTMENT OF DEFENSE		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	461,803
Total Other Federal Assistance		<u>461,803</u>
U. S. DEPARTMENT OF EDUCATION/ Passed-through the Mississippi Department of Education:		
Adult Education- State Grant Program	84.002	292,976
Title I Grants to Local Educational Agencies	84.010	1,692,949
Vocation Education - Basic Grant to States	84.048	179,199
Safe and Drug Free Schools and Communities - State Grants	84.186	58,062
Twenty-first century community learning centers	84.287	78,793
State Grants for Innovative Programs	84.298	29,806
Education Technology State Grants	84.318	31,887
Comprehensive School Reform Demonstration	84.332	335,944
Teacher Quality Enhancement Grants	84.336	241,815
Rural Education	84.358	2,000
English Language Acquisition Grants	84.365	77,578
Improving Teacher Quality State Grants	84.367	715,157
Grants for State Assessments and Related Activities	84.369	94,799
Total		<u>3,830,965</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	3,025,030
Special Education - Preschool Grants	84.173	103,999
Total special education cluster		<u>3,129,029</u>
Total passed-through the MDE		<u>6,959,994</u>
TOTAL U. S. DEPARTMENT OF EDUCATION		<u>6,959,994</u>
TOTAL FOR ALL FEDERAL AWARDS		<u>\$11,238,384</u>

Notes to Schedule

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

Rankin County School District
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2007

Expenditures	Total	Instruction and Other Student Expenditures			Other
		Instructional	General Administration	School Administration	
Salaries and fringe benefits	\$ 96,761,900	75,848,865	2,194,871	7,782,894	10,935,270
Other	80,116,948	9,762,917	854,215	239,100	69,260,716
Total	\$ 176,878,848	85,611,782	3,049,086	8,021,994	80,195,986

Total number of students * 17,140

Cost per student \$ 10,320 4,995 178 468 4,679

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

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

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

School Administration - includes expenditures for the following functions: 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 submission for month 9, which is the final submission for the fiscal year.

Note: includes 100 and 200 range object codes on the "Salaries and fringe benefits" line; all other expenditures on the "Other" line

INTERNAL CONTROL AND COMPLIANCE REPORTS

J.E. FORTENBERRY, III, PC
Certified Public Accountant

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

Superintendent and School Board
Rankin County School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Rankin County School District as of and for the year ended June 30, 2007, which collectively comprise the Rankin County School District's basic financial statements and have issued my report thereon dated December 12, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

My consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified a certain deficiency in internal control over financial reporting that I consider to be a significant deficiency.

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 material misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, process, record, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the school district's financial statements that is more than inconsequential will not be prevented or detected by the school district's internal control. I consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2007-1 to be a significant deficiency in internal control over financial reporting.

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

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that the significant deficiency described above is not a material weakness.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 my audit and, accordingly, I do not express such an opinion. The results of my tests did not disclose any instances of noncompliance that are required to be reported under Government Auditing Standards.

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



J.E. Fortenberry, III, PC
December 12, 2007

Certified Public Accountant

J.E. FORTENBERRY, III, PC
Certified Public Accountant

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

Superintendent and School Board
Rankin County School District

Compliance

I have audited the compliance of the Rankin 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 the auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contract and grants applicable to each of its major federal programs is the responsibility of the school district's management. My responsibility is to express an opinion on the school district's compliance based on my audit.

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

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

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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 a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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



J.E. Fortenberry, III, PC
December 12, 2007

Certified Public Accountant

J.E. FORTENBERRY, III, PC
Certified Public Accountant

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

Superintendent and School Board
Rankin County School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Rankin County School District as of and for the year ended June 30, 2007, and have issued our report thereon dated December 12, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$15,046 of classroom supply funds carried over from previous years.

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

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

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

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

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



J.E. Fortenberry, III, PC
December 12, 2007

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FINDINGS, CORRECTIVE ACTION PLAN AND AUDIT FOLLOW-UP

Rankin 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 weakness(es) identified? No.
 - b. Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes.

Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs: Unqualified.
5. Internal control over major programs:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified that are not considered to be material weaknesses? No.
6. Any audit findings reported as required by Section __.510(a) of OMB Circular A-133?
No.
7. Federal programs identified as major programs:
 - a. Child Nutrition Cluster:
CFDA # 10.553
CFDA # 10.555
 - b. Food Donation:
CFDA # 10.550
 - c. Title I Grants to Local Educational Agencies:
CFDA # 84.010
 - d. Special Education Cluster:
CFDA # 84.027
CFDA # 84.173
 - e. Comprehensive School Reform
CFDA # 84.332

f. Public Safety Partnership and Community Policing Grant (Secure Our Schools)
CFDA #16.710

8. The dollar threshold used to distinguish between Type A and Type B programs:
\$337,152.
9. Auditee qualified as a low-risk auditee? Yes.
10. Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ___.315(b) of OMB Circular A-133? No.

Section 2: Findings Relating to the Financial Statements

The results of my tests disclosed the following significant deficiencies related to the financial statements that are required to be reported by *Government Auditing Standards*.

Finding 2007-1:

The new Statement on Auditing Standard (SAS) 112 requires the reporting of any internal control significant deficiencies. Controls over Sixteenth Section receivables are not designed for post GASB 34 accrual reporting. The district is often relying on manual rather than the designed software program for the accumulated total of unpaid leases. Also, there is not enough management oversight or segregation of duties to make sure leases are cancelled properly in the system and with school board authorization.

Recommendation:

Several alternatives are available to correct this. The district may purchase an accounts receivable software to maintain these lease receivables and revenues or discuss further software development and/or training with the financial software provider. These lease receivables should be periodically reviewed by management to determine the reasons for unpaid leases and the probable collectability of the receivable. Also, any cancellation of a lease should have both board approval and management approval before the lease is cancelled in the accounting system by the sixteenth section clerk.

School District's Response:

The School District is working on this.

Section 3: Findings and Questioned Costs for Federal Awards

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