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JACKSON COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Jackson County School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson County School District as of and for the year ended June 30, 2011, which collectively comprise the Jackson County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Jackson County School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson County School District, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2012, on our consideration of the Jackson County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jackson County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jackson County School District's basic financial statements. The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.


Cunningham CPAs, PLLC

March 7, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

JACKSON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2011

The following discussion and analysis of Jackson County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net assets for 2011 increased \$2,694,419, which represents a 3% increase from fiscal year 2010. Total net assets for 2010 increased \$21,522,606, including prior period adjustments of (\$1,451,467), which represents a 29% increase from fiscal year 2009.
- General revenues amounted to \$60,949,262 and \$59,174,403, or 78% and 62% of all revenues for fiscal years 2011 and 2010, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$16,908,322, or 22% of total revenues for 2011, and \$36,827,769, or 38% of total revenues for 2010.
- The District had \$75,163,165 and \$73,028,099 in expenses for fiscal years 2011 and 2010; only \$16,908,322 for 2011 and \$36,827,769 for 2010 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$60,949,262 for 2011 were adequate to provide for these programs and 59,174,403 for 2010 were adequate to provide for these programs.
- Among major funds, the General Fund had \$56,194,594 in revenues and \$56,031,826 in expenditures for 2011, and \$55,680,844 in revenues and \$56,936,316 in expenditures in 2010. The General Fund's fund balance decreased by \$1,015,806 from 2010 to 2011, and decreased by \$13,643,975 from 2009 to 2010.
- Capital assets, net of accumulated depreciation, increased by \$1,556,907 for 2011 and increased by \$25,464,213 for 2010. The increase for 2011 was primarily due to construction in progress, net of the increase in accumulated depreciation.
- Long-term debt increased \$1,441,387 for 2011 and decreased by \$1,549,004 for 2010. This increase is due to issuing \$3,000,000 in Qualified School Construction Bonds, net of debt principal payments on long-term debt. The liability for compensated absences increased by \$42,698 for 2011 and increased by \$120,574 for 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplemental information, supplemental information, and other information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Assets and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

JACKSON COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2011

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

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 and other debt issuance costs.

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 – Most of the District's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the District's near-term financing requirements.

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, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Assets, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All non-major funds are combined and presented in these reports as other governmental funds.

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

Reconciliation of Government-wide and Fund Financial Statements

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual

JACKSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

basis of accounting). The following summarizes the major differences between the two statements:

Capital assets used in governmental activities are not reported on governmental funds financial statements.

Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

Bond and note proceeds result in liabilities on government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

Notes to the financial statements

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

Required Supplemental Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplemental information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each major special revenue fund as required by the Governmental Accounting Standards Board.

Supplemental Information

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

Other Information

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$99,079,551 as of June 30, 2011.

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.

JACKSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

Table 1 presents a summary of the District's net assets at June 30, 2011 and June 30, 2010.

Table 1
Condensed Statement of Net Assets

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Current assets	\$ 17,508,353	\$ 20,588,684	(14.96) %
Restricted assets	4,174,045	1,281,833	225.63 %
Capital assets, net	90,656,402	89,099,495	1.75 %
Total assets	<u>112,338,800</u>	<u>110,970,012</u>	1.23 %
Current liabilities	753,435	3,563,151	(78.85) %
Long-term debt outstanding	12,505,814	11,021,729	13.47 %
Total liabilities	<u>13,259,249</u>	<u>14,584,880</u>	(9.09) %
Net assets:			
Invested in capital assets, net of related debt	81,681,873	78,613,205	3.90 %
Restricted	3,048,247	2,455,511	24.14 %
Unrestricted	14,349,431	15,316,416	(6.31) %
Total net assets	<u>\$ 99,079,551</u>	<u>\$ 96,385,132</u>	2.80 %

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

- Increase in net capital assets in the amount of \$1,556,907.
- The principal retirement of \$1,558,613 of long-term debt.
- Issuing Qualified School Construction Bonds in the amount of \$3,000,000.

Changes in net assets

The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$77,857,584 and \$96,002,172, respectively. The total cost of all programs and services was \$75,163,165 for 2011 and \$73,028,099 for 2010.

JACKSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

Table 2
Changes in Net Assets

	Year Ended June 30, 2011	Year Ended June 30, 2010	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 2,251,853	\$ 2,376,622	(5.25) %
Operating grants and contributions	11,561,014	9,093,839	27.13 %
Capital grants and contributions	3,095,455	25,357,308	(87.79) %
General revenues:			
Property taxes	21,135,531	20,514,216	3.03 %
Grants and contributions not restricted	38,140,739	38,015,987	0.33 %
Other	1,672,992	644,200	159.70 %
Total revenues	77,857,584	96,002,172	(18.90) %
Expenses:			
Instruction	40,342,532	41,069,097	(1.77) %
Support services	30,249,460	27,577,727	9.69 %
Non-instructional	4,183,296	3,958,823	5.67 %
Sixteenth section	24,456	19,540	25.16 %
Interest expense and other debt issuance costs	363,421	402,912	(9.80) %
Total expenses	75,163,165	73,028,099	2.92 %
Increase (Decrease) in net assets	2,694,419	22,974,073	(88.27) %
Net Assets, July 1, as originally reported	96,385,132	74,862,526	28.75 %
Prior period adjustments	-	(1,451,467)	(100.00) %
Net Assets, July 1, as restated	96,385,132	73,411,059	31.30 %
Net Assets, June 30,	\$ 99,079,551	\$ 96,385,132	2.80 %

Governmental activities

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

JACKSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2011	2010	
Instruction	\$ 40,342,532	\$ 41,069,097	(1.77) %
Support services	30,249,460	27,577,727	9.69 %
Non-instructional	4,183,296	3,958,823	5.67 %
Sixteenth section	24,456	19,540	25.16 %
Interest expense and other debt issuance costs	363,421	402,912	(9.80) %
Total expenses	\$ 75,163,165	\$ 73,028,099	2.92 %

	Net (Expense) Revenue		Percentage Change
	2011	2010	
Instruction	\$ (33,232,637)	\$ (35,992,513)	(7.67) %
Support services	(27,568,648)	197,661	(14,047.44) %
Non-instructional	2,934,319	16,974	17,187.14 %
Sixteenth section	(24,456)	(19,540)	25.16 %
Interest expense and other debt issuance costs	(363,421)	(402,912)	(9.80) %
Total net (expense) revenue	\$ (58,254,843)	\$ (36,200,330)	60.92 %

- Net cost of governmental activities (\$58,254,843 for 2011 and \$36,200,330 for 2010) was financed by general revenue, which is primarily made up of property taxes (\$21,135,531 for 2011 and \$20,514,216 for 2010) and state and federal revenues (\$38,140,739 for 2011 and \$38,015,987 for 2010). In addition, there was \$334,488 and \$349,862 in Sixteenth Section sources for 2011 and 2010, respectively.
- Investment earnings amounted to \$122,411 for 2011 and \$158,747 for 2010.

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, unassigned 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 \$20,954,748, an increase of \$2,616,099, which includes an increase in reserve for inventory of \$3,939. \$5,835,603 or 28% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$15,119,145 or 72% is either nonspendable, restricted, or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

JACKSON COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$1,015,806. The fund balance of Other Governmental Funds showed an increase in the amount of \$931,506, including an increase in reserve for inventory of \$3,939, due primarily to normal operations. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
FEMA/MEMA Grants Fund	No increase (decrease)
QSCB Construction Fund	\$2,953,148
Construction and Improvements Fund	(\$252,749)

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2011, the District's total capital assets were \$117,481,278, including land, construction in progress, school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$4,492,286 from 2010. Total accumulated depreciation as of June 30, 2011, was \$26,824,876, and total depreciation expense for the year was \$3,033,763, resulting in total net capital assets of \$90,656,402.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Land	\$ 343,261	\$ 343,261	0.00 %
Construction in progress	337,651	48,738,074	(99.31) %
Buildings	80,115,484	31,563,890	153.82 %
Building improvements	2,371,572	1,075,901	120.43 %
Improvements other than buildings	4,005,642	3,648,595	9.79 %
Mobile equipment	2,909,464	2,830,861	2.78 %
Furniture and equipment	493,518	758,477	(34.93) %
Leased property under capital leases	79,810	140,436	(43.17) %
Total	\$ 90,656,402	\$ 89,099,495	1.75 %

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

Debt Administration. At June 30, 2011, the District had \$12,505,814 in outstanding long-term debt, of which \$1,625,335 is due within one year. The liability for compensated absences increased \$42,698 from the prior year.

JACKSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage</u> <u>Change</u>
General obligation bonds payable	\$ 5,525,000	\$ 6,470,000	(14.61) %
Three mill notes payable	1,511,747	1,982,882	(23.76) %
Qualified school construction bonds payable	3,000,000	-	N/A %
Obligations under energy efficiency leases	1,890,930	2,033,408	(7.01) %
Compensated absences payable	578,137	535,439	7.97 %
Total	<u>\$ 12,505,814</u>	<u>\$ 11,021,729</u>	13.47 %

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

CURRENT ISSUES

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

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

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

Average daily attendance for the 2010-2011 year increased by 1% to 9,207 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report or additional financial information, contact the Superintendent's Office of the Jackson County School District, P.O. Box 5069, Vancleave, Mississippi 39565-5069.

FINANCIAL STATEMENTS

JACKSON COUNTY SCHOOL DISTRICT

Statement of Net Assets
June 30, 2011

Exhibit A

		Governmental Activities
Assets		
Cash and cash equivalents	\$	11,142,057
Due from other governments		4,994,320
Other receivables, net		20,245
Inventories		118,494
Prepaid items		1,233,237
Restricted assets		4,174,045
Capital assets, non-depreciable:		
Land		343,261
Construction in progress		337,651
Capital assets, net of accumulated depreciation:		
Buildings		80,115,484
Building improvements		2,371,572
Improvements other than buildings		4,005,642
Mobile equipment		2,909,464
Furniture and equipment		493,518
Obligations under capital lease		79,810
Total Assets		112,338,800
Liabilities		
Accounts payable and accrued liabilities		707,278
Unearned revenue		20,372
Interest payable on long-term liabilities		25,785
Long-term liabilities, due within one year:		
Capital related liabilities		1,625,335
Long-term liabilities, due beyond one year:		
Capital related liabilities		10,302,342
Non-capital related liabilities		578,137
Total Liabilities		13,259,249
Net Assets		
Invested in capital assets, net of related debt		81,681,873
Restricted for:		
Expendable:		
School-based activities		1,689,117
Debt service		644,330
Forestry improvements		77,475
Unemployment benefits		109,238
Non-expendable:		
Sixteenth section		528,087
Unrestricted		14,349,431
Total Net Assets	\$	99,079,551

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

JACKSON COUNTY SCHOOL DISTRICT

**Statement of Activities
For the Year Ended June 30, 2011**

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 40,342,532	946,532	6,163,363	-	(33,232,637)
Support services	30,249,460	-	2,680,812	-	(27,568,648)
Non-instructional	4,183,296	1,305,321	2,716,839	3,095,455	2,934,319
Sixteenth section	24,456	-	-	-	(24,456)
Interest on long-term liabilities and other debt issuance costs	363,421	-	-	-	(363,421)
Total Governmental Activities	\$ 75,163,165	2,251,853	11,561,014	3,095,455	(58,254,843)
General Revenues:					
Taxes:					
					19,557,669
					1,577,862
Unrestricted grants and contributions:					
					35,380,015
					2,760,724
					122,411
					334,488
					1,216,093
					60,949,262
					2,694,419
					96,385,132
					\$ 99,079,551

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

JACKSON COUNTY SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2011

Exhibit C

	Major Funds					Total Governmental Funds
	General Fund	FEMA/MEMA Grants Funds	QSCB Construction Fund	Construction and Improvements Fund	Other Governmental Funds	
Assets						
Cash and cash equivalents	\$ 2,285,537	\$ -	\$ 3,011,175	\$ 6,748,520	\$ 3,270,870	\$ 15,316,102
Due from other governments	784,984	3,453,439	-	-	755,897	4,994,320
Other receivables, net	-	-	-	-	20,245	20,245
Due from other funds	4,013,544	-	-	-	-	4,013,544
Inventories	-	-	-	-	118,494	118,494
Prepaid items	1,233,237	-	-	-	-	1,233,237
Total Assets	\$ 8,317,302	\$ 3,453,439	\$ 3,011,175	\$ 6,748,520	\$ 4,165,506	\$ 25,695,942
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 481,253	\$ 22,052	\$ 58,027	\$ 1,269	\$ 144,677	\$ 707,278
Due to other funds	-	3,431,387	-	-	582,157	4,013,544
Unearned revenue	-	-	-	-	20,372	20,372
Total Liabilities	481,253	3,453,439	58,027	1,269	747,206	4,741,194
Fund Balances:						
Nonspendable:						
Inventory	-	-	-	-	118,494	118,494
Prepaid items	1,233,237	-	-	-	-	1,233,237
Permanent fund principal	-	-	-	-	528,087	528,087
Restricted:						
Debt service	-	-	-	-	670,115	670,115
Capital projects	-	-	2,953,148	-	-	2,953,148
Forestry improvement purposes	-	-	-	-	77,475	77,475
Unemployment benefits	-	-	-	-	109,238	109,238
Grant activities	82,982	-	-	-	753,647	836,629
Assigned:						
School based activities	684,227	-	-	-	49,767	733,994
Capital projects	-	-	-	6,747,251	1,111,477	7,858,728
Unassigned	5,835,603	-	-	-	-	5,835,603
Total Fund Balances	7,836,049	-	2,953,148	6,747,251	3,418,300	20,954,748
Total Liabilities and Fund Balances	\$ 8,317,302	\$ 3,453,439	\$ 3,011,175	\$ 6,748,520	\$ 4,165,506	\$ 25,695,942

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

JACKSON COUNTY SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2011**

Exhibit C-1

Total fund balances for governmental funds \$ 20,954,748

Amounts reported for governmental activities in the statement of net assets are different because:

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Land	\$ 343,261	
Construction in progress	337,651	
Buildings	97,493,832	
Building improvements	3,150,398	
Improvements other than buildings	5,424,200	
Mobile equipment	7,267,910	
Furniture and equipment	2,665,925	
Obligation under capital leases	798,101	
Accumulated depreciation	<u>(26,824,876)</u>	90,656,402

2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:

General obligation bonds payable	(5,525,000)	
Three mill notes payable	(1,511,747)	
Qualified school construction bonds	(3,000,000)	
Obligations under energy efficiency leases	(1,890,930)	
Accrued interest payable	(25,785)	
Compensated absences	<u>(578,137)</u>	<u>(12,531,599)</u>

Net assets of governmental activities \$ 99,079,551

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

JACKSON COUNTY SCHOOL DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2011

Exhibit D

	Major Funds					Total Governmental Funds
	General Fund	FEMA/MEMA Grants Fund	QSCB Construction Fund	Construction and Improvements Fund	Other Governmental Funds	
Revenues:						
Local sources	\$ 20,702,950	\$ -	\$ 11,175	\$ -	\$ 4,006,721	\$ 24,720,846
State sources	35,201,642	-	-	-	1,838,656	37,040,298
Federal sources	290,002	3,095,455	-	-	12,371,454	15,756,911
Sixteenth section sources	-	-	-	-	339,029	339,029
Total Revenues	56,194,594	3,095,455	11,175	-	18,555,860	77,857,084
Expenditures:						
Instruction	30,993,530	-	-	-	9,598,172	40,591,702
Support services	24,565,801	-	-	4,528	3,360,683	27,931,012
Noninstructional services	451,362	32,785	-	-	3,694,828	4,178,975
Sixteenth section	-	-	-	-	24,456	24,456
Facilities acquisition and construction	21,133	3,062,670	58,027	440,117	9,800	3,591,747
Debt service:						
Principal	-	-	-	-	1,558,613	1,558,613
Interest	-	-	-	-	365,319	365,319
Other	-	-	-	-	3,600	3,600
Total Expenditures	56,031,826	3,095,455	58,027	444,645	18,615,471	78,245,424
Excess (Deficiency) of Revenues over (under) Expenditures	162,768	-	(46,852)	(444,645)	(59,611)	(388,340)
Other Financing Sources (Uses):						
Bond proceeds	-	-	3,000,000	-	-	3,000,000
Insurance loss recoveries	500	-	-	-	-	500
Operating transfers in	369,003	-	-	191,896	1,360,136	1,921,035
Operating transfers out	(1,548,077)	-	-	-	(372,958)	(1,921,035)
Total Other Financing Sources (Uses)	(1,178,574)	-	3,000,000	191,896	987,178	3,000,500
Net Change in Fund Balances	(1,015,806)	-	2,953,148	(252,749)	927,567	2,612,160
Fund Balances:						
July 1, 2010	8,851,855	-	-	7,000,000	2,486,794	18,338,649
Increase (decrease) in reserve for inventory	-	-	-	-	3,939	3,939
June 30, 2011	\$ 7,836,049	\$ -	\$ 2,953,148	\$ 6,747,251	\$ 3,418,300	\$20,954,748

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

JACKSON COUNTY SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2011**

Exhibit D-1

Net change in fund balances - total governmental funds \$ 2,612,160

Amounts reported for governmental activities in the statement of activities are different because:

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 4,597,594	
Depreciation expense	<u>(3,033,763)</u>	1,563,831

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold. (6,924)

3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Bonds and notes issued	(3,000,000)	
Payments on debt principal	1,558,613	
Accrued interest payable	<u>5,498</u>	(1,435,889)

4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in compensated absences	(42,698)	
Change in inventory reserve	<u>3,939</u>	<u>(38,759)</u>

Change in net assets of governmental activities \$ 2,694,419

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

JACKSON COUNTY SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2011

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 5,544,399
Total Assets	<u>\$ 5,544,399</u>
Liabilities	
Accrued payroll liabilities	\$ 5,300,003
Due to student clubs	<u>244,396</u>
Total Liabilities	<u>\$ 5,544,399</u>

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

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2011

Note 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. Basis of Presentation

In February 2009, the GASB issued GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

B. Financial Reporting Entity

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

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

C. Government-wide and Fund Financial Statements

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2011

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

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

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

FEMA/MEMA Grants Fund - This fund is used to assist in recovering from the devastating effects of disasters by providing assistance for debris removal, emergency protective measures and the repair, restoration, reconstruction, or replacement of public facilities or infrastructure damaged or destroyed.

QSCB Construction Fund - This fund accounts for the construction funded with Qualified School Construction Bonds.

Construction and Improvements Fund- This fund accounts for the transactions in major capital construction projects.

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

The District's fiduciary funds include the following:

Accounts Payable Clearing Fund - This fund is used to report the accounts payable resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Payroll Clearing Fund - This fund is used to report the payroll resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Funds - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2011

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

FIDUCIARY FUNDS

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

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

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

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

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

JACKSON COUNTY

Notes to the Financial Statements For Year Ended June 30, 2011

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

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

E. Encumbrances

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

F. Assets, liabilities, and net assets/fund balances

1. Cash, Cash Equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and Payables

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

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

3. Due from Other Governments

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

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2011

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

Depreciation is calculated on the straight-line basis for all assets, except land.

The following schedule details the capitalization thresholds:

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

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

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2011

7. Compensated Absences

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

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

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

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

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

9. Fund Balances

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the District's management pursuant to authorization established by the District's School Board.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2011

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

Note 2 – Cash and Cash Equivalents

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

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

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 \$15,316,102 and \$5,544,399, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2011, none of the district's bank balance of \$21,401,544 was exposed to custodial credit risk.

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	FEMA/MEMA grants fund	\$ 3,431,387
	Other governmental funds	<u>582,157</u>
Total		<u>\$ 4,013,544</u>

The primary purpose of the interfund receivable and payable was to close out federal programs at year-end.

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2011

B. Inter-fund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General fund	Construction and improvements fund	\$ 191,896
	Other governmental funds	1,356,181
Other governmental funds	General fund	369,003
	Other governmental funds	<u>3,955</u>
Total		<u>\$ 1,921,035</u>

The primary purpose of the interfund transfers out of the general fund and into the other governmental funds was to finance basic operations of the district that are not directly funded. The primary reason for the transfer out of the other governmental funds is the indirect cost allocation to the general fund.

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling \$528,087, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

Also, the restricted assets represent the cash balance of the Qualified School Construction Bond Fund of \$3,011,175.

In addition, the restricted assets represent the cash balance, totaling \$160,413 and \$474,370, respectively, of the Three Mill Notes Payable Fund and the General Bonds Refunded Fund.

● JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2011

Note 5 – Capital Assets

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

	Balance 7/1/2010	Increases	Decreases	Completed Construction	Balance 6/30/2011
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 343,261	\$ -	\$ -	\$ -	\$ 343,261
Construction in progress	48,738,074	3,591,747	-	(51,992,170)	337,651
Total non-depreciable capital assets	49,081,335	3,591,747	-	(51,992,170)	680,912
<u>Depreciable capital assets:</u>					
Buildings	47,031,751	-	-	50,462,081	97,493,832
Building improvements	1,620,309	-	-	1,530,089	3,150,398
Improvement other than buildings	4,951,196	473,004	-	-	5,424,200
Mobile equipment	6,826,962	456,693	(15,745)	-	7,267,910
Furniture and equipment	2,679,338	76,150	(89,563)	-	2,665,925
Obligations under capital lease	798,101	-	-	-	798,101
Total depreciable capital assets	63,907,657	1,005,847	(105,308)	51,992,170	116,800,366
<u>Less accumulated depreciation for:</u>					
Buildings	15,467,861	1,910,487	-	-	17,378,348
Building improvements	544,408	234,418	-	-	778,826
Improvement other than buildings	1,302,601	115,957	-	-	1,418,558
Mobile equipment	3,996,101	374,831	(12,486)	-	4,358,446
Furniture and equipment	1,920,861	337,444	(85,898)	-	2,172,407
Obligations under capital lease	657,665	60,626	-	-	718,291
Total accumulated depreciation	23,889,497	3,033,763	(98,384)	-	26,824,876
Total depreciable capital assets, net	40,018,160	(2,027,916)	(6,924)	51,992,170	89,975,490
Governmental activities capital assets, net	\$ 89,099,495	\$ 1,563,831	\$ (6,924)	\$ -	\$ 90,656,402

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 199,948
Support services	2,800,654
Non-instructional	33,161
Total depreciation expense - Governmental activities	\$ 3,033,763

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2011

Construction in progress is composed of:

Governmental Activities:	Spent to June 30, 2011	Remaining Commitment
East Central High School	\$ 168,210	\$ 131,791
East Central Gymnasium	118,116	912,884
East Central Concessions	40,924	-
Vancleave Upper Administrative Building	10,401	-
Total	<u>\$ 337,651</u>	<u>\$ 1,044,675</u>

Construction projects included in governmental activities are funded from the QSCB Construction Fund and the Construction and Improvements Fund.

Note 6 – Long-term Liabilities

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

	Balance 7/1/2010	Additions	Reductions	Balance 6/30/2011	Amounts due Within one year
A. General obligation bonds payable	\$ 6,470,000	-	(945,000)	5,525,000	990,000
B. Three mill notes payable	1,982,882	-	(471,135)	1,511,747	487,115
C. Qualified school construction bonds	-	3,000,000	-	3,000,000	-
D. Obligations under energy efficiency leases	2,033,408	-	(142,478)	1,890,930	148,220
E. Compensated absences payable	535,439	42,698	-	578,137	-
Total	<u>\$ 11,021,729</u>	<u>3,042,698</u>	<u>(1,558,613)</u>	<u>12,505,814</u>	<u>1,625,335</u>

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2011

A. General obligation bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation refunding bonds, Series 2004	3.0-4%	8/15/2004	12/15/2015	\$ 5,400,000	\$ 3,900,000
General obligation refunding bonds, Series 2005	2.6-3.2%	3/15/2005	12/15/2013	4,700,000	1,625,000
Total				<u>\$ 10,100,000</u>	<u>\$ 5,525,000</u>

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

1. Bond issue August 15, 2004.

Year Ending June 30	Principal	Interest	Total
2012	\$ 320,000	\$ 148,400	\$ 468,400
2013	335,000	136,500	471,500
2014	850,000	112,800	962,800
2015	1,175,000	72,300	1,247,300
2016	1,220,000	24,400	1,244,400
Total	<u>\$ 3,900,000</u>	<u>\$ 494,400</u>	<u>\$ 4,394,400</u>

2. Bond issue March 15, 2005.

Year Ending June 30	Principal	Interest	Total
2012	\$ 670,000	\$ 39,900	\$ 709,900
2013	710,000	18,845	728,845
2014	245,000	3,920	248,920
Total	<u>\$ 1,625,000</u>	<u>\$ 62,665</u>	<u>\$ 1,687,665</u>

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2012	\$ 990,000	\$ 188,300	\$ 1,178,300
2013	1,045,000	155,345	1,200,345
2014	1,095,000	116,720	1,211,720
2015	1,175,000	72,300	1,247,300
2016	1,220,000	24,400	1,244,400
Total	<u>\$ 5,525,000</u>	<u>\$ 557,065</u>	<u>\$ 6,082,065</u>

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2011

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). 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 Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2011, the amount of outstanding bonded indebtedness was equal to 2% of property assessments as of October 1, 2010.

B. Three mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill ten year note	3.375%	4/29/2004	4/29/2014	\$ 4,500,000	\$ 1,511,747
Total				\$ 4,500,000	\$ 1,511,747

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

Year Ending June 30	Principal	Interest	Total
2012	\$ 487,115	\$ 51,888	\$ 539,003
2013	503,926	35,077	539,003
2014	520,706	18,581	539,287
Total	\$ 1,511,747	\$ 105,546	\$ 1,617,293

This debt will be retired from the Bond Debt Service Fund 4025.

C. Qualified school construction bonds payable

As more fully explained in Note 12, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bonds payable, Series 2011	0.00%	12/20/2010	12/15/2020	\$ 3,000,000	\$3,000,000
Total				\$ 3,000,000	\$3,000,000

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2011

D. Obligation under energy efficiency lease.

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Energy Efficiency Lease	3.990%	5/12/2007	11/15/2021	\$ 2,490,000	\$ 1,890,930
Total				<u>\$ 2,490,000</u>	<u>\$ 1,890,930</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 148,220	\$ 73,984	\$ 222,204
2013	154,193	68,011	222,204
2014	160,406	61,798	222,204
2015	166,870	55,334	222,204
2016	173,595	48,609	222,204
2017-2021	978,718	132,301	1,111,019
2022	108,928	2,173	111,101
Total	<u>\$ 1,890,930</u>	<u>\$ 442,210</u>	<u>\$ 2,333,140</u>

This debt will be retired from the Obligation Under Energy Efficiency Debt Service Fund.

An energy efficiency lease agreement dated May 12, 2007 was executed by and between the district, the lessee, and Hancock Bank, the lessor.

The agreement authorized the borrowing of \$2,490,000 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the district maintenance fund.

The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

E. Compensated absences payable.

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

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2011

Note 7 – Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising 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 June 30	Amount
2012	\$ 335,866
2013	324,094
2014	317,560
2015	301,352
2016	301,352
2017-2021	1,500,760
2022-2026	1,499,260
2027-2031	1,435,019
2032-2036	1,033,848
Thereafter	1,283,514
Total	<u>\$ 8,332,625</u>

Note 8 – 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 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2011 was 12.00% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2011, 2010 and 2009 were \$4,998,465, \$5,013,653 and \$4,784,376, respectively, which equaled the required contributions for each year.

Note 9 – Contingencies

Federal Grants – The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district.

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2011

Litigation – The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

Note 10– Other Commitments

Commitments on construction contracts are described in note 5.

Note 11– Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 72 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 12 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs.

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The District was not required to make any sinking funds deposits for the year ending June 30, 2011. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2011

<u>Year Ending June 30</u>	<u>Amount</u>
2012	\$ 75,000
2013	75,000
2014	75,000
2015	395,000
2016	396,000
2017-2021	<u>1,984,000</u>
Total	\$ <u>3,000,000</u>

REQUIRED SUPPLEMENTAL INFORMATION

JACKSON COUNTY SCHOOL DISTRICT

Required Supplemental Information

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 21,897,007	\$ 20,702,949	\$ 20,702,950	\$ (1,194,058)	\$ 1
State sources	35,861,311	35,201,642	35,201,642	(659,669)	-
Federal sources	310,103	290,001	290,002	(20,102)	1
Total Revenues	58,068,421	56,194,592	56,194,594	(1,873,829)	2
Expenditures:					
Instruction	33,409,254	31,018,530	30,993,530	2,390,724	25,000
Support services	24,869,813	24,496,749	24,565,801	373,064	(69,052)
Noninstructional	389,813	451,361	451,362	(61,548)	(1)
Facilities acquisition and construction	-	140,184	21,133	(140,184)	119,051
Total Expenditures	58,668,880	56,106,824	56,031,826	2,562,056	74,998
Excess (Deficiency) of Revenues over (under) Expenditures	(600,459)	87,768	162,768	688,227	75,000
Other Financing Sources (Uses):					
Insurance loss recoveries	1,370	500	500	(870)	-
Operating transfers in	6,043,266	7,081,341	369,003	1,038,075	(6,712,338)
Operating transfers out	(7,918,379)	(8,260,412)	(1,548,077)	(342,033)	6,712,335
Total Other Financing Sources (Uses)	(1,873,743)	(1,178,571)	(1,178,574)	695,172	(3)
Net Change in Fund Balances	(2,474,202)	(1,090,803)	(1,015,806)	1,383,399	74,997
Fund Balances:					
July 1, 2010	8,851,855	8,851,855	8,851,855	-	-
June 30, 2011	\$ 6,377,653	\$ 7,761,052	\$ 7,836,049	\$ 1,383,399	\$ 74,997

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

JACKSON COUNTY SCHOOL DISTRICT

Required Supplemental Information

**Budgetary Comparison Schedule
FEMA/MEMA Grants Fund
For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 4,011,550	\$ 3,095,455	\$ 3,095,455	\$ (916,095)	\$ -
Total Revenues	<u>4,011,550</u>	<u>3,095,455</u>	<u>3,095,455</u>	<u>(916,095)</u>	<u>-</u>
Expenditures:					
Noninstructional services	-	10,733	32,785	(10,733)	(22,052)
Facilities acquisition and construction	4,011,550	3,084,722	3,062,670	926,828	22,052
Total Expenditures	<u>4,011,550</u>	<u>3,095,455</u>	<u>3,095,455</u>	<u>916,095</u>	<u>-</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2010	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Required Supplemental Information For the Year Ended June 30, 2011

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

JACKSON COUNTY SCHOOL DISTRICT

Supplemental Information

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 596,691
National school lunch program	10.555	2,216,414
Total child nutrition cluster		<u>2,813,105</u>
Total passed-through Mississippi Department of Education		<u>2,813,105</u>
Passed-through Jackson County:		
Schools and roads-grants to states	10.665	35,297
Total		<u>35,297</u>
Passed-through Natural Resources Conservation:		
Wetlands reserve program	10.072	19,828
Total		<u>19,828</u>
		<u>2,868,230</u>
<u>U.S. Department of Defense</u>		
Direct program:		
Reserve officers' training corps	12.xxx	63,531
Total U.S. Department of Defense		<u>63,531</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	123,205
Total Federal Communications Commission		<u>123,205</u>
<u>U.S. Department of Education</u>		
Direct program:		
Impact Aid	84.041	8,670
Total		<u>8,670</u>
Passed-through the Department of Rehabilitation Services		
Rehabilitation services - vocational rehabilitation grants to states	84.126	80,735
Total		<u>80,735</u>
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	58,562
Safe and drug-free schools and communities - state grants	84.186	2,752
English language acquisition grant	84.365	37,011
Improving teacher quality state grants	84.367	394,645
ARRA - Homeless child, Recovery Act	84.387	1,358
Education jobs fund	84.410	1,844,986
Hurricane education recovery act grants	84.938	450,250
Subtotal		<u>2,789,564</u>

JACKSON COUNTY SCHOOL DISTRICT

Supplemental Information

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011**

Title I cluster:		
Title I grants to local educational agencies	84.010	1,292,730
ARRA - Title I grants to local educational agencies, Recovery Act	84.389	<u>103,723</u>
Total Title I cluster		<u>1,396,453</u>
Special education cluster:		
Special education - grants to states	84.027	1,648,092
Special education - preschool grants	84.173	15,247
ARRA - Special education grants to states, Recovery Act	84.391	724,575
ARRA - Special education preschool grants, Recovery Act	84.392	<u>41,139</u>
Total special education cluster		<u>2,429,053</u>
Education technology cluster:		
Education technology state grants	84.318	13,081
ARRA - Education technology state grants, Recovery Act	84.386	<u>9,588</u>
Total education technology cluster		<u>22,669</u>
ARRA - State Fiscal Stabilization Fund - Education state grants, Recovery Act	84.394	<u>2,470,722</u>
Total State Fiscal Stabilization Fund cluster		<u>2,470,722</u>
Total passed-through Mississippi Department of Education		<u>9,108,461</u>
Total U.S. Department of Education		<u>9,197,866</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	<u>39,470</u>
Total passed-through Mississippi Department of Education		<u>39,470</u>
Total U.S. Department of Health and Human Services		<u>39,470</u>
<u>U.S. Department of Homeland Security</u>		
Passed-through Mississippi Emergency Management Agency:		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	<u>3,303,611</u>
Total passed-through Mississippi Emergency Management Agency		<u>3,303,611</u>
Total U.S. Department of Homeland Security		<u>3,303,611</u>
Total for All Federal Awards		<u>\$ 15,595,913</u>

NOTES TO SCHEDULE

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

JACKSON COUNTY SCHOOL DISTRICT

Supplemental Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2011

<u>Expenditures</u>	<u>Total</u>	<u>instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 56,026,410	43,307,027	1,871,183	4,254,335	6,593,865
Other	22,219,014	5,750,652	414,172	82,784	15,971,406
Total	\$ 78,245,424	49,057,679	2,285,355	4,337,119	22,565,271
Total number of students *	8,743				
Cost per student	\$ 8,949	5,611	261	496	2,581

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.

General Administration - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business

School Administration - includes expenditures for the following function: Support Services - School Administration

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

OTHER INFORMATION

JACKSON COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 20,702,950	\$ 20,130,781	\$ 20,410,275	\$ 19,012,320
Intermediate sources	-	-	5,000	-
State sources	35,201,642	35,054,933	37,065,177	36,672,835
Federal sources	290,002	495,130	378,125	438,608
Total Revenues	56,194,594	55,680,844	57,858,577	56,123,763
Expenditures:				
Instruction	30,993,530	32,614,716	35,001,955	34,135,370
Support services	24,565,801	23,916,656	22,374,324	21,233,240
Noninstructional services	451,362	404,944	453,718	585,645
Facilities acquisition and construction	21,133	-	76,644	14,111
Total Expenditures	56,031,826	56,936,316	57,906,641	55,968,366
Excess (Deficiency) of Revenues over (under) Expenditures	162,768	(1,255,472)	(48,064)	155,397
Other Financing Sources (Uses):				
Sale of other property	-	2,465	-	-
Sale of land	-	50,500	-	-
Insurance recoveries	500	9,000	45,677	43,416
Operating transfers in	369,003	260,394	6,900,185	301,349
Operating transfers out	(1,548,077)	(12,710,862)	(9,625,738)	(1,609,489)
Total Other Financing Sources (Uses)	(1,178,574)	(12,388,503)	(2,679,876)	(1,264,724)
Net Change in Fund Balances	(1,015,806)	(13,643,975)	(2,727,940)	(1,109,327)
Fund Balances:				
Beginning of period	8,851,855	22,495,830	25,223,770	26,333,097
End of Period	\$ 7,836,049	\$ 8,851,855	\$ 22,495,830	\$ 25,223,770

*SOURCE - PRIOR YEAR AUDIT REPORTS

JACKSON COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years
UNAUDITED

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 24,720,846	\$ 23,093,269	\$ 23,585,987	\$ 22,209,410
Intermediate sources	-	-	5,000	-
State sources	37,040,298	36,101,314	38,095,761	37,649,388
Federal sources	15,756,911	36,365,820	19,517,691	8,479,984
Sixteenth section sources	339,029	353,687	453,138	252,564
Total Revenues	77,857,084	95,914,090	81,657,577	68,591,346
Expenditures:				
Instruction	40,591,702	40,859,863	39,500,766	38,908,077
Support services	27,931,012	26,839,790	24,515,859	23,897,425
Noninstructional services	4,178,975	3,966,169	3,987,507	4,179,049
Sixteenth section	24,456	19,540	27,031	30,661
Facilities acquisition and construction	3,591,747	28,662,727	19,665,482	1,998,179
Debt service:				
Principal	1,558,613	1,549,004	1,561,714	1,832,826
Interest	365,319	414,700	465,033	529,884
Other	3,600	3,600	3,600	3,720
Total Expenditures	78,245,424	102,315,393	89,726,992	71,379,821
Excess (Deficiency) of Revenues over (under) Expenditures	(388,340)	(6,401,303)	(8,069,415)	(2,788,475)
Other Financing Sources (Uses):				
Bond proceeds	3,000,000	-	-	-
Sale of other property	-	2,465	-	-
Sale of land	-	50,500	-	-
Insurance loss recoveries	500	9,000	1,504,260	173,278
Operating transfers in	1,921,035	13,044,474	10,091,091	1,910,838
Other financing sources	-	4,576	-	-
Operating transfers out	(1,921,035)	(13,044,474)	(10,091,091)	(1,910,838)
Total Other Financing Sources (Uses)	3,000,500	66,541	1,504,260	173,278
Net Change in Fund Balances	2,612,160	(6,334,762)	(6,565,155)	(2,615,197)
Fund Balances:				
Beginning of period, as originally reported	18,338,649	24,649,405	31,214,060	33,797,715
Prior period adjustments	-	-	-	56,868
Beginning of period, as restated	18,338,649	24,649,405	31,214,060	33,854,583
Increase (Decrease) in reserve for inventory	3,939	24,006	500	(25,326)
End of Period	\$ 20,954,748	\$ 18,338,649	\$ 24,649,405	\$ 31,214,060

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

CUNNINGHAM CPAs, PLLC

Certified Public Accountants & Consultants

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

Superintendent and School Board
Jackson County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson County School District as of and for the year ended June 30, 2011, and have issued our report thereon dated March 7, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Jackson County School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Jackson County School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jackson County School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Jackson County School District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

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

A handwritten signature in black ink that reads "Cunningham CPAs". The signature is written in a cursive, flowing style.

Cunningham CPAs, PLLC

March 7, 2012

CUNNINGHAM CPAs, PLLC

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

Superintendent and School Board
Jackson County School District

Compliance

We have audited Jackson County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Jackson County School District's major federal programs for the year ended June 30, 2011. Jackson County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Jackson County School District's management. Our responsibility is to express an opinion on Jackson County School District's compliance based on our audit.

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

In our opinion, Jackson County School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

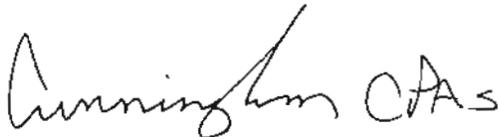
Internal Control Over Compliance

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

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

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

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

A handwritten signature in black ink that reads "Cunningham CPAs". The signature is written in a cursive, flowing style.

Cunningham CPAs, PLLC

March 7, 2012

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

CUNNINGHAM CPAs, PLLC

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

Superintendent and School Board
Jackson County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson County School District as of and for the year ended June 30, 2011, which collectively comprise Jackson County School District's basic financial statements and have issued our report thereon dated March 7, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$12,208 of classroom supply funds carried over from previous years.

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements 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.

Handwritten signature in cursive script that reads "Cunningham CPAs".

Cunningham CPAs, PLLC

March 7, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JACKSON COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness(es) identified? | No |
| | b. Significant deficiency(ies) identified? | None reported |
| 3. | Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness(es) identified? | No |
| | b. Significant deficiency(ies) identified? | None reported |
| 5. | Type of auditor's report issued on compliance for major programs: | Unqualified |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | No |
| 7. | Identification of major programs: | |
| | A. Title I - Grants to local educational agencies: | |
| | CFDA # | 84.010 |
| | CFDA # | 84.389 |
| | B. ARRA - State Fiscal Stabilization - Education State Grants, Recovery Act | |
| | CFDA # | 84.394 |
| | C. Special Education Cluster: | |
| | CFDA # | 84.027 |
| | CFDA # | 84.173 |
| | CFDA # | 84.391 |
| | CFDA # | 84.392 |
| | D. Improving teacher quality | |
| | CFDA # | 84.367 |
| | E. Education jobs fund | |
| | CFDA # | 84.410 |
| | F. Disaster grants | |
| | CFDA # | 97.036 |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$ 467,877 |
| 9. | Auditee qualified as a low-risk auditee? | No |

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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