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JACKSON COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2008

Presented by:
Dribben & Associates, Ltd.
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JACKSON COUNTY SCHOOL DISTRICT

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JACKSON COUNTY SCHOOL DISTRICT

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JACKSON COUNTY SCHOOL DISTRICT

FINANCIAL AUDIT REPORT

JACKSON COUNTY SCHOOL DISTRICT

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

September 4, 2009

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, 2008, which collectively comprise the Jackson County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Jackson County School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Jackson County School District, as of June 30, 2008, 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 September 4, 2009, on our consideration of the Jackson County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 11 through 18 and the Budgetary Comparison Schedule and corresponding notes on pages 49 through 50 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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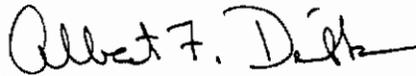
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jackson County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented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

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

Sincerely,



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

JACKSON COUNTY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JACKSON COUNTY SCHOOL DISTRICT

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MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2008

The discussion and analysis of Jackson County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- Total net assets for 2008 increased \$104,648 which represents less than a 1% increase from fiscal year 2007. Total net assets for 2007 increased \$6,801,102, which represents an approximate 13 % increase from fiscal year 2006.
- General revenues account for \$56,772,601 and \$55,276,909 in revenue, or 83% and 74% of all revenues for fiscal year 2008 and 2007 respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$11,992,023 or 17% of total revenues for 2008 and \$19,359,840 or 26% of total revenues for 2007.
- The District had \$68,715,148 and \$69,057,881 in expenses for fiscal years 2008 and 2007; only 11,992,023 for 2008 and \$19,359,840 for 2007 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$56,772,601 for 2008 and \$55,276,909 for 2007 were adequate to provide for these programs.
- Among major funds, the General Fund had \$56,123,763 in revenues and \$55,968,366 in expenditures. The General Fund's fund balance decreased by \$1,109,327 from 2007 to 2008 and increased by \$2,966,664 for 2006 to 2007. This decrease was due to the decrease in General Fund revenues for the fiscal year ending June 30, 2008.
- Capital assets, net of accumulated depreciation, increased by \$865,980 for 2008 and increased by \$3,362,337 for 2007. The increase for 2008 was due to completed construction, the purchase of mobile equipment and furniture and equipment.
- Long-term debt decreased by \$1,832,362 for 2008 and decreased by \$718,880 for 2007. The decrease was due to annual payments on long-term debt. In addition, liability for compensated absences decreased by \$20,034 and increased by \$22,704 for 2007.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

The District adopts an annual operation budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133, and a schedule of instructional, administrative and other expenditures for governmental fund and Statement of Revenues, Expenditures and Changes in Fund Balance, General Fund and All Governmental Funds, Last Four Years are also included in this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$61,094,514 as of June 30, 2008 and \$60,989,866 as of June 30, 2007.

The district's net assets are comprised of 1) net assets invested in capital assets, net of related debt, 2) restricted net assets and 3) unrestricted net assets. At June 30, 2008 and 2007, \$30,343,836 and \$28,601,150 or 50% and 47%, respectively, comprise its investment in capital assets (e. g., land, buildings, building improvements, improvements other than buildings, mobile equipment and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

The restricted net assets of \$5,936,926 in 2008 and \$6,445,602 in 2007 or 10% and 11%, respectively, are restricted to expenditures for certain school-based activities, debt service, capital improvements, forestry improvements, unemployment benefits and sixteenth section investment purposes. \$24,813,752 in 2008 and \$25,943,114 in 2007 of the District's net assets, 40% and 42%, respectively, reflects its unrestricted net assets, which is available for school expenditures.

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

The following tables present a summary of the District's net assets for the fiscal year ended June 30, 2008 and comparative data for the fiscal year ended June 30, 2007.

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Total Dollar Variance</u>	<u>Total Percentage Change</u>
Current assets	\$ 32,166,770	34,449,576	(2,282,806)	-6.63%
Capital assets, net	43,940,843	43,074,863	865,980	2.01%
Total assets	<u>76,107,613</u>	<u>77,524,439</u>	<u>(1,416,826)</u>	<u>-1.83%</u>
Current liabilities	1,006,074	2,457,358	(1,451,284)	-59.06%
Long-term debt outstanding	14,007,025	14,077,215	(70,190)	-0.50%
Total liabilities	<u>15,013,099</u>	<u>16,534,573</u>	<u>(1,521,474)</u>	<u>-9.20%</u>
Net assets:				
Invested in capital assets, net of related debt	30,343,836	28,601,150	1,742,686	6.09%
Restricted	5,936,926	6,445,602	(508,676)	-7.89%
Unrestricted	24,813,752	25,943,114	(1,129,362)	4.35%
Total net assets	<u>\$ 61,094,514</u>	<u>60,989,866</u>	<u>104,648</u>	<u>0.17%</u>

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

- Decrease in current assets in the amount of \$2,282,806.
- Increase in net capital assets in the amount of \$865,980.
- Decrease in current liabilities in the amount of \$1,451,284

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2008 and 2007 were \$68,764,624 and \$74,636,749, respectively. The total cost of all programs and services was \$68,712,988 in 2008 and \$69,057,881 in 2007.

The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2008 and comparative data for the fiscal year ended June 30, 2007.

	June 30, 2008	June 30, 2007	Total Dollar Variance	Percentage Change
Revenues:				
Program revenues				
Charges for services	\$ 2,540,775	2,640,019	(99,244)	-3.76%
Operating grants and contributions	9,014,754	16,287,973	(7,273,219)	-44.65%
Capital grants and contributions	436,494	431,848	4,646	1.08%
General revenues				
Property taxes	18,248,783	18,649,790	(401,007)	-2.15%
Grants and contributions not restricted	36,678,124	32,781,111	3,897,013	11.89%
Other	1,845,694	3,846,008	(2,000,314)	-52.01%
Total revenues	<u>68,764,624</u>	<u>74,636,749</u>	<u>(5,872,125)</u>	<u>-7.87%</u>
Expenses:				
Instruction	39,094,760	36,959,015	2,135,745	5.78%
Support services	23,906,393	27,087,760	(3,181,367)	-11.74%
Non-instructional	5,158,797	4,380,281	778,516	17.77%
Sixteenth section	30,661	70,483	(39,822)	-56.50%
Interest & other charges related to long-term liabilities	524,537	560,342	(35,805)	-6.39%
Total expenses	<u>68,715,148</u>	<u>69,057,881</u>	<u>(342,733)</u>	<u>-0.50%</u>
Increase in net assets	49,476	5,578,868	(5,529,392)	-99.11%
Net Assets, July 1	60,989,866	54,188,764	6,801,102	12.55%
Prior period adjustment	55,172	1,222,234	(1,167,062)	-95.49%
Net Assets, restated, July 1	<u>61,045,038</u>	<u>55,410,998</u>	<u>5,634,040</u>	<u>10.17%</u>
Net Assets, June 30	<u>\$ 61,094,514</u>	<u>60,989,866</u>	<u>104,648</u>	<u>0.17%</u>

Governmental activities. The following table presents, for the fiscal year ended June 30, 2008, and comparative data for the fiscal year ended June 30, 2007, the cost of five major District functional activities: instructional, support services, non-instructional, sixteenth section and interest and other expenses on long-term liabilities. The table also shows each function's net cost (total cost less changes for the services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

	2008		2007	
	Total Expenses	Net(Expense) Revenue	Total Expenses	Net(Expense) Revenue
Instruction	\$39,094,760	(34,095,674)	\$ 36,959,015	(28,064,461)
Support services	23,906,393	(20,541,110)	27,087,760	(20,456,021)
Non-instructional	5,158,797	(1,531,143)	4,380,281	(546,734)
Sixteenth Section	30,661	(30,661)	70,483	(70,483)
Interest and other expenses on long-term liabilities	524,537	(524,537)	560,342	(560,342)
	<u>\$68,715,148</u>	<u>(56,723,125)</u>	<u>\$ 69,057,881</u>	<u>(49,698,041)</u>

- The net cost of governmental activities in 2008 was (\$56,723,125) and in 2007 (\$49,698,041) financed by general revenue, which is made up of primarily property taxes in 2008 and 2007 of \$18,248,783 and \$18,649,790, state revenues of \$36,283,202 and \$32,338,657, federal revenues of \$394,922 and \$442,454, Sixteenth Section revenues of \$252,564 and \$366,529, and other sources of \$678,578 and \$2,117,151.
- Investment earnings in 2008 and 2007 accounted for \$914,552 and \$1,362,328, respectively, of funding.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed fiscal year June 30, 2008, its governmental funds reported a combined fund balance of \$31,214,060, a decrease of \$2,583,655. \$28,478,172 or 91% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$2,735,888 or 9% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$1,109,327. The fund balance of Other Governmental Funds showed a decrease in the amount of \$1,474,328, which includes a decrease in reserve for inventory of \$25,326 and a prior period adjustment of \$56,868.

BUDGETARY HIGHLIGHTS

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

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

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

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

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. As of June 30, 2008, the District's total capital assets, before depreciation, were \$66,230,054 including land, construction in progress, buildings, building improvements, improvements other than buildings, mobile equipment, and furniture and equipment. This amount represents a gross increase of \$2,723,214 from the prior year. Total accumulated depreciation as of June 30, 2008, was \$22,289,211 and total depreciation expense for the year was \$1,857,234, resulting in total net assets of \$43,940,843.

	Capital Assets, Net of Depreciation		Total Dollar Variance	Total % Change
	2008	2007		
Land	\$ 343,261	343,261	-	0.0%
Construction in progress	1,845,181	450,004	1,395,177	310.0%
Buildings	33,260,836	34,153,646	(892,810)	-2.6%
Building improvements	1,425,872	1,490,684	(64,812)	-4.3%
Improvements other than buildings	3,534,604	3,103,330	431,274	13.9%
Mobile equipment	2,401,220	2,206,055	195,165	8.8%
Furniture and equipment	868,182	1,001,152	(132,970)	-13.3%
Leased property under capital leases	261,687	326,731	(65,044)	-19.9%
Total	<u>\$ 43,940,843</u>	<u>43,074,863</u>	<u>865,980</u>	<u>2.0%</u>

Debt administration. At June 30, 2008, the District had \$14,007,745 in long-term debt outstanding, of which \$1,794,159 is due within one year. In addition, the liability for compensated absences increased \$20,034 from the prior year. The district does not have a bond rating with any one bond rating agency. It purchases bonding insurance whenever the district issues bonds. The district has never defaulted or been late with any debt payments.

	Outstanding Debt			
	2008	2007	Total Dollar Variance	Percentage Change
General obligation bonds payable	\$ 8,265,000	9,120,000	(855,000)	-9.4%
Three-mill notes payable	2,878,904	3,635,389	(756,485)	-20.8%
Obligations under capital leases	151,083	246,334	(95,251)	-38.7%
Obligations under energy efficiency lease	2,302,020	2,428,574	(126,554)	-5.2%
Compensated absences payable	410,018	389,984	20,034	5.1%
Total	<u>\$ 14,007,025</u>	<u>15,820,281</u>	<u>(1,813,256)</u>	<u>-11.5%</u>

Additional information of the district's long-term debt can be found in Note 5 on page 38 of this report.

CURRENT ISSUES

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

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

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

Latest enrollment figures indicate that student enrollment in the District has been steadily increasing after Hurricane Katrina's devastating effects. The budget for the next fiscal year has taken this into account.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

JACKSON COUNTY SCHOOL DISTRICT

FINANCIAL STATEMENTS

JACKSON COUNTY SCHOOL DISTRICT

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JACKSON COUNTY SCHOOL DISTRICT
Statement of Net Assets
June 30, 2008

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 30,445,148
Due from other governments	1,101,703
Inventories	93,633
Restricted assets	526,286
Capital assets, non-depreciable:	
Land	343,261
Construction in progress	1,845,181
Capital assets, net of accumulated depreciation:	
Buildings	33,260,836
Building improvements	1,425,872
Improvements other than buildings	3,534,604
Mobile equipment	2,401,220
Furniture and equipment	868,182
Leased property under capital leases	261,687
Total Assets	<u>76,107,613</u>
Liabilities	
Accounts payable and accrued liabilities	922,059
Unearned revenue	30,651
Interest payable on long-term liabilities	53,364
Long-term liabilities, due within one year	
Capital related liabilities	1,561,714
Non-capital related liabilities	12,301
Long-term liabilities, due beyond one year	
Capital related liabilities	12,035,293
Non-capital related liabilities	397,717
Total Liabilities	<u>15,013,099</u>
Net Assets	
Investment in capital assets, net of related debt	30,343,836
Restricted net assets:	
Expendable:	
School - based activities	3,348,035
Debt service	870,954
Capital improvements	940,766
Forestry improvements	81,067
Unemployment benefits	169,818
Non-expendable:	
Sixteenth section	526,286
Unrestricted	<u>24,813,752</u>
Total Net Assets	<u>\$ 61,094,514</u>

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

JACKSON COUNTY SCHOOL DISTRICT
 Statement of Activities
 For the Year Ended June 30, 2008

Exhibit B

Functions/Programs	Program Revenues			Expenses	Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Governmental Activities	Governmental Activities
Governmental Activities:							
Instruction	\$ 39,094,760	1,115,272	3,704,511	39,094,760	179,303		(34,095,674)
Support services	23,906,393	-	3,108,092	23,906,393	257,191		(20,541,110)
Non-instructional	5,158,797	1,425,503	2,202,151	5,158,797	-		(1,531,143)
Sixteenth section	30,661	-	-	30,661	-		(30,661)
Interest on long-term liabilities	524,537	-	-	524,537	-		(524,537)
Total governmental activities	\$ 68,715,148	2,540,775	9,014,754	68,715,148	436,494		(56,723,125)
General Revenues:							
Taxes:							
General purpose levies							16,721,986
Debt purpose levies							1,526,797
Unrestricted grants and contributions:							
State							36,283,202
Federal							394,922
Unrestricted investment earnings							914,552
Sixteenth section sources							252,564
Other							678,578
Total General Revenues							56,772,601
Change in Net Assets							49,476
Net Assets - Beginning							60,989,866
Prior Period Adjustments:							55,172
Net Assets - Beginning - Restated							61,045,038
Net Assets - Ending							\$ 61,094,514

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

JACKSON COUNTY SCHOOL DISTRICT
 Balance Sheet - Governmental Funds
 June 30, 2008

Exhibit C

	<u>Major Funds</u>		<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Other Governmental Funds</u>	
ASSETS			
Cash and cash equivalents	\$ 24,983,564	5,987,870	30,971,434
Due from other governments	887,471	214,232	1,101,703
Due from other funds	68,534	-	68,534
Inventories	-	93,633	93,633
Total Assets	<u>25,939,569</u>	<u>6,295,735</u>	<u>32,235,304</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	715,799	206,260	922,059
Due to other funds	-	68,534	68,534
Unearned revenue	-	30,651	30,651
Total Liabilities	<u>715,799</u>	<u>305,445</u>	<u>1,021,244</u>
Fund Balances:			
Reserved for:			
Inventory	-	93,633	93,633
Capital projects funds	-	940,766	940,766
Debt service	-	924,318	924,318
Unemployment benefits	-	169,818	169,818
Forestry improvement purposes	-	81,067	81,067
Permanent fund purposes	-	526,286	526,286
Unreserved:			
Undesignated, reported in:			
General fund	25,223,770	-	25,223,770
Special revenue funds	-	3,254,402	3,254,402
Total Fund Balances	<u>25,223,770</u>	<u>5,990,290</u>	<u>31,214,060</u>
Total Liabilities and Fund Balances	<u>\$ 25,939,569</u>	<u>6,295,735</u>	<u>32,235,304</u>

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

JACKSON COUNTY SCHOOL DISTRICT
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
 June 30, 2008

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 31,214,060
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$22,289,211.	43,940,843
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(14,007,025)
3. Government funds recognize interest on long-term debt when it becomes due, however, the Statement of Net Assets recognizes interest as it accrues.	(53,364)
Total Net Assets - Governmental Activities	<u>\$ 61,094,514</u>

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

JACKSON COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

Exhibit D

	<u>Major Funds</u>		
	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Local sources	\$ 19,012,320	3,197,090	22,209,410
State sources	36,672,835	976,553	37,649,388
Federal sources	438,608	8,041,376	8,479,984
Sixteenth section sources	-	252,564	252,564
Total Revenues	<u>56,123,763</u>	<u>12,467,583</u>	<u>68,591,346</u>
Expenditures:			
Instruction	34,135,370	4,772,707	38,908,077
Support services	21,233,240	2,664,185	23,897,425
Noninstructional services	585,645	3,593,404	4,179,049
Sixteenth section	-	30,661	30,661
Facilities acquisition and construction	14,111	1,984,068	1,998,179
Debt service:			
Principal	-	1,832,826	1,832,826
Interest	-	529,884	529,884
Other	-	3,720	3,720
Total Expenditures	<u>55,968,366</u>	<u>15,411,455</u>	<u>71,379,821</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>155,397</u>	<u>(2,943,872)</u>	<u>(2,788,475)</u>
Other Financing Sources (Uses):			
Insurance loss recoveries	43,416	129,862	173,278
Operating transfers in	301,349	1,609,489	1,910,838
Operating transfers out	(1,609,489)	(301,349)	(1,910,838)
Total Other Financing Sources (Uses)	<u>(1,264,724)</u>	<u>1,438,002</u>	<u>173,278</u>
Net Change in Fund Balances	<u>(1,109,327)</u>	<u>(1,505,870)</u>	<u>(2,615,197)</u>
Fund Balances:			
July 1, 2007	26,333,097	7,464,618	33,797,715
Prior period adjustments	-	56,868	56,868
July 1, 2007, as restated	<u>26,333,097</u>	<u>7,521,486</u>	<u>33,854,583</u>
Increase (Decrease) in reserve for inventory	-	(25,326)	(25,326)
June 30, 2008	<u>\$ 25,223,770</u>	<u>5,990,290</u>	<u>31,214,060</u>

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

JACKSON COUNTY SCHOOL DISTRICT
 Reconciliation of the Governmental Funds Statement of Revenues,
 Expenditures and Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2008

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ (2,615,197)
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$2,725,374 and the depreciation expense amounted to \$1,857,234.	868,140
2. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.	1,832,826
3. A decrease in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are increased in the Statement of Activities.	(25,326)
4. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds.	
Increases in compensated absences	(20,034)
Decreases in accrued interest payable	9,067
Change in Net Assets of Governmental Activities	<u>\$ 49,476</u>

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

JACKSON COUNTY SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2008

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	<u>\$5,118,356</u>
Total Assets	<u>5,118,356</u>
Liabilities	
Accounts payable and accrued liabilities	4,902,959
Due to student clubs	<u>215,397</u>
Total Liabilities	<u>\$5,118,356</u>

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

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2008

Notes to Financial Statements

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

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

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.

B. Basis of Presentation.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund 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 nonfiduciary 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 for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2008

2. *Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. *Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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 tax and other items not properly 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 as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

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

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2008

FIDUCIARY FUNDS

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

C. Measurement Focus and Basis of Accounting.

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred or economic asset used, regardless of 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 tax, 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.

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2008

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 interfund activity has been eliminated from the government-wide statements.

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

D. Account Classifications.

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

E. Encumbrances.

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

F. Assets, liabilities, and net assets or equity.

1. Cash and 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.

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2008

2. Receivables and Payables.

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

4. Inventories and Prepaid Items.

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

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

5. Restricted Assets.

Certain resources set aside for repayment of debt are classified as restricted assets on the balance sheet because their use is limited by applicable debt statutes. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this account.

6. Capital Assets.

Capital assets, which include property, plant, furniture and equipment, 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

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2008

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 following table and estimated useful lives in excess of two years.

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 those thresholds.

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

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

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

8. Long-term liabilities.

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

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2008

capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The government 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 5 for details.

9. Fund Equity.

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

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

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

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

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

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

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

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

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

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

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For the Year Ended June 30, 2008

(2) Cash and Cash Equivalents.

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

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$30,971,434, and \$5,118,356, respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents \$30,445,148 and restricted assets \$526,286. The restricted assets represent the cash balance of the Sixteenth Section Principal Fund (Permanent Funds) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$36,903,029.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2008, none of the district's bank balance of \$36,903,029 was exposed to custodial credit risk.

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2008

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 68,534
Total		<u>\$ 68,534</u>

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

B. Transfers In/Out.

The above transfers were for distribution of MAEP monies to various funds.

(4) Restricted Assets.

The restricted assets represent the cash and cash equivalents balance, totaling \$526,286, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's program.

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2008

(5) Capital Assets.

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

	Balance 7/1/2007	Additions	Retirements	Completed Construction	Adjustments	Balance 6/30/2008
<u>Non-depreciable capital assets:</u>						
Land	\$ 343,261	-	-	-	-	343,261
Construction in progress	450,004	1,998,179	-	(600,842)	(2,160)	1,845,181
Total non-depreciable capital assets	<u>793,265</u>	<u>1,998,179</u>	<u>-</u>	<u>(600,842)</u>	<u>(2,160)</u>	<u>2,188,442</u>
<u>Depreciable capital assets:</u>						
Buildings	48,439,187	-	-	-	-	48,439,187
Building improvements	1,620,309	-	-	-	-	1,620,309
Improvements other than buildings	4,325,563	-	-	600,842	-	4,926,405
Mobile equipment	5,365,675	521,049	-	-	-	5,886,724
Furniture and equipment	2,164,740	206,146	-	-	-	2,370,886
Obligations under capital lease	798,101	-	-	-	-	798,101
Total depreciable capital assets	<u>62,713,575</u>	<u>727,195</u>	<u>-</u>	<u>600,842</u>	<u>-</u>	<u>64,041,612</u>
<u>Less accumulated depreciation for:</u>						
Buildings	(14,285,541)	(892,810)	-	-	-	(15,178,351)
Building improvements	(129,625)	(64,812)	-	-	-	(194,437)
Improvements other than buildings	(1,222,233)	(169,568)	-	-	-	(1,391,801)
Mobile equipment	(3,159,620)	(325,884)	-	-	-	(3,485,504)
Furniture and equipment	(1,163,588)	(339,116)	-	-	-	(1,502,704)
Obligations under capital lease	(471,370)	(65,044)	-	-	-	(536,414)
Total accumulated depreciation	<u>(20,431,977)</u>	<u>(1,857,234)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,289,211)</u>
Total depreciable capital assets, net	<u>42,281,598</u>	<u>(1,130,039)</u>	<u>-</u>	<u>600,842</u>	<u>-</u>	<u>41,752,401</u>
Governmental activities capital assets, net	<u>\$43,074,863</u>	<u>868,140</u>	<u>-</u>	<u>-</u>	<u>(2,160)</u>	<u>43,940,843</u>

An adjustment was made due to including expenses in the prior year that were not part of the construction in progress.

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2008

Depreciation expense was charged to the following governmental functions:

Governmental activities:	Amount
Instruction	\$ 172,468
Support services	554,890
Noninstructional	88,462
Facilities acquisition and construction	<u>1,041,414</u>
Total	<u>\$ 1,857,234</u>

Commitments under construction contracts at June 30, 2008, are summarized as follows:

Governmental Activities	Spent to 30-Jun-08	Remaining Commitment
St Martin High School (Eng. Fees only)	<u>\$ 1,833,669</u>	571,466
St. Martin Bus Maintenance Facility (Eng. Fees only)	<u>11,512</u>	-
Total	<u>\$ 1,845,181</u>	<u>571,466</u>

(6) Long-term liabilities.

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

	Balance 7/1/2007	Additions	Reductions	Adjustments	Balance 6/30/2008	Amount Due within one year
A. General obligation bonds payable	\$ 9,120,000		855,000		8,265,000	890,000
B. Three mill notes payable	3,635,389		756,021	(464)	2,878,904	440,475
C. Obligations under capital leases	246,334		95,251		151,083	99,586
D. General obligation under energy efficiency lease	2,428,574		126,554		2,302,020	131,653
E. Compensated absences payable	389,984	33,431	13,397		410,018	12,301
Total	<u>\$ 15,820,281</u>	<u>33,431</u>	<u>1,846,223</u>	<u>(464)</u>	<u>14,007,025</u>	<u>1,574,015</u>

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2008

A. General obligation bonds payable.

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation refunding bonds, Series 2004	3.0-4%	08-15-2004	12-15-2015	\$ 5,400,000	4,780,000
General obligation refunding bonds, Series 2005	2.6-3.2%	03-15-2005	12-15-2013	4,700,000	3,485,000
Total				<u>\$ 10,100,000</u>	<u>8,265,000</u>

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

Year Ending June 30	Principal	Interest	Total
2009	\$ 890,000	270,263	1,160,263
2010	905,000	244,860	1,149,860
2011	945,000	217,725	1,162,725
2012	990,000	188,300	1,178,300
2013	1,045,000	155,345	1,200,345
2014-2016	3,490,000	349,920	3,839,920
Total	<u>\$ 8,265,000</u>	<u>1,426,413</u>	<u>9,691,413</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2008, the amount of outstanding bonded indebtedness was equal to 2.82% of property assessments as of October 1, 2007. This debt will be retired from the General Obligation Bond Refunding Fund 4031.

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2008

B. Three mill ten year notes payable.

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>
Three mill ten year note	3.3750%	04-29-2004	04-29-2014	4,500,000	2,878,904
Total				<u>\$ 4,500,000</u>	<u>2,878,904</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>
2009	\$ 440,475	98,528	539,003
2010	455,547	83,456	539,003
2011	471,135	67,868	539,003
2012	487,115	51,888	539,003
2013	503,926	35,077	539,003
2014	520,706	18,581	539,287
Total	<u>\$ 2,878,904</u>	<u>355,398</u>	<u>3,234,302</u>

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

C. Obligations under capital leases.

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

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

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

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2008

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

Year Ending June 30	Principal	Interest	Total
2009	\$ 99,586	5,691	105,277
2010	51,497	1,140	52,637
Total	<u>\$ 151,083</u>	<u>6,831</u>	<u>157,914</u>

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

D. General obligation under energy efficiency lease.

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

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

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

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation energy efficiency lease	3.99%	05-12-2007	11-15-2021	<u>\$ 2,490,000</u>	<u>2,302,020</u>
Total				<u>\$ 2,490,000</u>	<u>2,302,020</u>

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2008

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

Year Ending June 30	Principal	Interest	Total
2009	\$ 131,653	90,551	222,204
2010	136,959	85,245	222,204
2011	142,478	79,726	222,204
2012	148,220	73,984	222,204
2013	154,193	68,011	222,204
2014-2018	869,329	241,691	1,111,020
2019-2022	719,188	58,523	777,711
Total	\$ 2,302,020	697,731	2,999,751

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

E. Compensated absences payable.

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

(7) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2008, was 11.85% 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, 2008, 2007 and 2006 were \$4,527,189, \$3,985,561, and \$3,346,639, respectively, which equaled the required contributions for each year.

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2008

(8) Sixteenth Section Lands.

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

<u>Year Ending June 30</u>	<u>Amount</u>
2009	\$ 198,327
2010	192,912
2011	190,479
2012	188,298
2013	188,298
2014-2018	941,488
2019-2023	941,488
2024-2028	919,183
2029-2033	835,197
2034-2037	704,989
Thereafter	<u>660,699</u>
Total	<u>\$ 5,961,358</u>

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2008

(9) Prior Period Adjustments/Exhibits.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanations</u>	<u>Amount</u>
An adjustment to correct prior year errors in reporting capital assets and in reporting the related accumulated depreciation.	\$ (2,160)
An adjustment to correct prior year errors in reporting long-term debt.	464
An adjustment to correct prior year errors in reporting a revenue and expenditure.	56,868
Total	<u>\$ 55,172</u>

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

<u>Explanations</u>	<u>Amount</u>
An adjustment to correct prior year errors in reporting a revenue and expenditure.	\$ 56,868
Total	<u>\$ 56,868</u>

(10) 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.

Litigation

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

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For the Year Ended June 30, 2008

(11) Subsequent Events.

On July 7, 2008, the school district signed a contract for construction of a new St. Martin High School building for \$41,420,000. The cost of construction for this facility will be from Federal Emergency Management Administration (FEMA) funds. Therefore, there will be no borrowing of funds.

November 10, 2008 the school district board approved a bid of \$1,105,000 for a new bus and maintenance facility.

On December 8, 2008, the school district approved a construction package for \$4,868,503 for the following projects which will be paid for from district funds:

- Vancleave High School-addition of 12 classrooms
- Vancleave Lower Elementary –restroom renovations
- East Central Middle School-restroom renovations
- East Central Lower Elementary-addition of 7 classrooms

On July 15, 2009, the school district approved the purchase of 3 Special Education buses at \$62,239 each or \$186,717 and the purchase of six regular school buses @ \$68,992 each or \$413,952 total. No financing was incurred for these purchases.

(12) Risk Management.

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

Participation in Public Entity Risk Pool.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 95 school districts and one community college and covers risks of loss arising from injuries to the member's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by 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 up to the statutory amount required by the Mississippi Workers Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

(13) Prior Year Defeasance of Debt.

In prior years, the Jackson County School District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the district's financial statements. On June 30, 2008, \$8,265,000 of outstanding bonds are defeased.

JACKSON COUNTY SCHOOL DISTRICT

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JACKSON COUNTY SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

JACKSON COUNTY SCHOOL DISTRICT

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JACKSON COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 19,108,659	19,012,320	19,012,320	(96,339)	-
State sources	36,789,263	36,672,835	36,672,835	(116,428)	-
Federal sources	223,366	438,608	438,608	215,242	-
Total Revenues	<u>56,121,288</u>	<u>56,123,763</u>	<u>56,123,763</u>	<u>2,475</u>	<u>-</u>
Expenditures:					
Instruction	35,626,917	34,160,370	34,135,370	1,466,547	25,000
Support services	21,111,305	21,283,240	21,233,240	(171,935)	50,000
Noninstructional services	313,962	585,645	585,645	(271,683)	-
Facilities acquisition and construction	-	14,111	14,111	(14,111)	-
Total Expenditures	<u>57,052,184</u>	<u>56,043,366</u>	<u>55,968,366</u>	<u>1,008,818</u>	<u>75,000</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(930,896)</u>	<u>80,397</u>	<u>155,397</u>	<u>1,011,293</u>	<u>75,000</u>
Other Financing Sources (Uses):					
Insurance loss recoveries	-	43,416	43,416	43,416	-
Operating transfers in	317,151	301,349	301,349	(15,802)	-
Operating transfers out	(1,294,701)	(1,609,489)	(1,609,489)	(314,788)	-
Total Other Financing Sources (Uses)	<u>(977,550)</u>	<u>(1,264,724)</u>	<u>(1,264,724)</u>	<u>(287,174)</u>	<u>-</u>
Net Change in Fund Balances	<u>(1,908,446)</u>	<u>(1,184,327)</u>	<u>(1,109,327)</u>	<u>724,119</u>	<u>75,000</u>
Fund Balances:					
July 1, 2007			<u>26,333,097</u>		
June 30, 2008			<u>\$ 25,223,770</u>		

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

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Required Supplementary Information
For the Year Ended June 30, 2008

(1) Basis of Presentation.

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

(2) Budget amendments and revisions.

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

JACKSON COUNTY SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

JACKSON COUNTY SCHOOL DISTRICT

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JACKSON COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U. S. Department of Agriculture</u>		
Direct Programs:		
Distance learning and telemedicine loans and grants	10.855	\$ 160,111
Total		<u>160,111</u>
Passed-through Jackson County:		
Schools and roads cluster:		
Schools and roads-grants to states	10.665	68,197
Total Schools and Roads Cluster		<u>68,197</u>
Passed-through Natural Resources Conservation:		
Wetlands reserve program		
Total Natural Resources Conservation	10.072	<u>36,432</u>
Passed-through Mississippi Department of Agriculture:		
Child nutrition cluster:		
School breakfast program	10.553	500,954
National school lunch program	10.555	1,794,975
Total Child Nutrition Cluster		<u>2,295,929</u>
Total U. S. Department of Agriculture		<u>2,560,669</u>
<u>U. S. Department of Health and Human Services</u>		
Direct Programs:		
Medical assistance program	93.778	172,784
Total		<u>172,784</u>
<u>U. S. Department of Homeland Security</u>		
Direct Programs:		
Disaster grants public assistance (Presidentially declared disasters)	97.036	1,770,404
Total		<u>1,770,404</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administration Company:		
Communications information and assistance and investigation of complaints	32.001	180,080
Total		<u>180,080</u>
<u>U. S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	1,298,945
Impact aid	84.041	72,242
Career and Technical Education-basic grants to states	84.048	70,032
Safe and drug-free schools and communities - state grants	84.186	54,609
State grants for innovative programs	84.298	10,970
Education technology state grants	84.318	12,885
English language acquisition grant	84.365	12,425
Improving teacher quality-state grants	84.367	334,677
Hurricane education recovery act programs	84.938	969,025
Total		<u>2,835,810</u>
Special education cluster:		
Special education - grants to states	84.027	1,604,298
Special education - preschool grants	84.173	82,909
Total		<u>1,687,207</u>
Total Passed-through Mississippi Department of Education		<u>4,523,017</u>
Passed-through Mississippi Department of Rehabilitation Services:		
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	4,888
Total Passed-through Mississippi Department of Rehabilitation Services		<u>4,888</u>
Total U. S. Department of Education		<u>4,527,905</u>
<u>Other Federal Assistance</u>		
Direct Programs:		
Reserve Officers' Training Corps	12.XXX	38,290
Total Other Federal Awards		<u>38,290</u>
Total for All Federal Awards		<u>\$ 9,250,132</u>

NOTES TO SCHEDULE

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

The expenditure amounts include transfers out.

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

Jackson County School District
 Schedule of Instructional, Administrative and Other Expenditures – Government Funds
 For the Year Ended June 30, 2008

Expenditures	Total	Instruction and Other			
		Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 51,525,236	40,035,584	1,770,593	3,728,100	5,990,959
Other	19,854,585	5,618,309	572,763	127,334	13,536,179
Total	\$ 71,379,821	45,653,893	2,343,356	3,855,434	19,527,138

Total number of students * 8,313

Cost per student \$ 8,587 5,492 282 464 2,349

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

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

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

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

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

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

JACKSON COUNTY SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

JACKSON COUNTY SCHOOL DISTRICT

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

"UNAUDITED"

	2008	2007 *	2006 *	2005 *
Revenues:				
Local sources	\$ 19,012,320	19,329,923	17,888,378	16,588,970
State sources	36,672,835	32,756,907	31,504,663	29,170,633
Federal sources	438,608	447,649	355,388	464,960
Total Revenues	<u>56,123,763</u>	<u>52,534,479</u>	<u>49,748,429</u>	<u>46,224,563</u>
Expenditures:				
Instruction	34,135,370	29,138,070	17,278,718	25,911,131
Support services	21,233,240	21,062,461	16,333,426	16,306,586
Noninstructional services	585,645	565,265	444,675	178,538
Facilities acquisition and construction	14,111	708	9,492	373,789
Debt service:				
Principal	-	40,176	-	-
Interest	-	1,207	-	-
Total Expenditures	<u>55,968,366</u>	<u>50,807,887</u>	<u>34,066,311</u>	<u>42,770,044</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>155,397</u>	<u>1,726,592</u>	<u>15,682,118</u>	<u>3,454,519</u>
Other Financing Sources (Uses):				
Insurance loss recoveries	43,416	168	15,245	7,217
Sale of transportation equipment	-	-	5,110	2,352
Proceeds of loan	-	2,490,000	-	-
Sale of other property	-	-	376	4,049
Operating transfers in	301,349	4,610,793	179,311	4,137,727
Operating transfers out	(1,609,489)	(5,860,889)	(1,854,699)	(6,611,260)
Total Other Financing Sources (Uses)	<u>(1,264,724)</u>	<u>1,240,072</u>	<u>(1,654,657)</u>	<u>(2,459,915)</u>
Net Change in Fund Balances	<u>(1,109,327)</u>	<u>2,966,664</u>	<u>14,027,461</u>	<u>994,604</u>
Fund Balances:				
Beginning year balance	26,333,097	23,336,433	9,210,062	8,215,458
Prior period adjustments	-	-	128,910	-
Beginning of year, as restated	<u>26,333,097</u>	<u>23,366,433</u>	<u>9,338,972</u>	<u>8,215,458</u>
Fund Balances: End of Year	<u>\$ 25,223,770</u>	<u>26,333,097</u>	<u>23,366,433</u>	<u>9,210,062</u>

* SOURCE - PRIOR YEAR AUDIT REPORTS

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

"UNAUDITED"

	2008	2007 *	2006 *	2005 *
Revenues:				
Local sources	\$ 22,209,410	23,048,140	21,037,585	19,884,401
State sources	37,649,388	33,720,545	32,524,293	30,125,324
Federal sources	8,479,984	15,780,388	20,021,605	6,269,300
Sixteenth section sources	252,564	366,530	251,956	199,831
Total Revenues	<u>68,591,346</u>	<u>72,915,603</u>	<u>73,835,439</u>	<u>56,478,856</u>
Expenditures:				
Instruction	38,908,077	36,773,994	34,448,261	30,228,170
Support services	23,897,425	26,533,621	24,240,974	18,890,920
Noninstructional services	4,179,049	3,982,016	3,675,068	3,234,702
Sixteenth section	30,661	70,483	49,731	28,666
Facilities acquisition and construction	1,998,179	3,264,125	7,085,348	2,199,382
Debt service:				
Principal	1,832,826	1,796,824	1,618,141	1,699,605
Interest	529,884	536,105	550,516	607,000
Other	3,720	16,524	10,375	68,658
Total Expenditures	<u>71,379,821</u>	<u>72,973,692</u>	<u>71,678,414</u>	<u>56,957,103</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,788,475)</u>	<u>(58,089)</u>	<u>2,157,025</u>	<u>(478,247)</u>
Other Financing Sources (Uses):				
Insurance loss recoveries	173,278	1,721,146	7,040,290	7,217
Sale of transportation equipment	-	-	26,832	2,352
Sale of other property	-	-	1,510	4,049
Proceeds of loans	-	2,490,000	-	-
Proceeds of refunding bonds	-	-	-	10,100,000
Operating transfers in	1,910,838	6,174,752	2,374,825	6,811,696
Operating transfers out	(1,910,838)	(6,174,752)	(2,374,825)	(6,811,696)
Total Other Financing Sources (Uses)	<u>173,278</u>	<u>4,211,146</u>	<u>7,068,632</u>	<u>10,113,618</u>
Net Change in Fund Balances	<u>(2,615,197)</u>	<u>4,153,057</u>	<u>9,225,657</u>	<u>9,635,371</u>
Fund Balances:				
Beginning year balance	33,797,715	29,635,357	30,263,963	20,648,252
Prior period adjustments	56,868	-	(9,882,542)	-
Beginning of year, as restated	<u>33,854,583</u>	<u>29,635,357</u>	<u>20,381,421</u>	<u>20,648,252</u>
Increase (decrease) in reserve for inventory	<u>(25,326)</u>	<u>9,301</u>	<u>28,279</u>	<u>(19,660)</u>
Fund Balances: End of year	<u>\$ 31,214,060</u>	<u>33,797,715</u>	<u>29,635,357</u>	<u>30,263,963</u>

* SOURCE - PRIOR YEAR AUDIT REPORTS

JACKSON COUNTY SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

JACKSON COUNTY SCHOOL DISTRICT

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CERTIFIED PUBLIC ACCOUNTANT

AICPA/MSCPA

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

September 4, 2009

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, 2008, which collectively comprise Jackson County School District's basic financial statements and have issued our report thereon dated September 4, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2008-01 to be a significant deficiency in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all the deficiencies in the internal control that might be significant deficiencies or material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

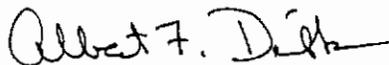
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance or other matter that we have reported to management of the school district in a separate letter dated September 4, 2009, which is included in this report.

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

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

Sincerely,



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

CERTIFIED PUBLIC ACCOUNTANT

AICPA/MSCPA

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

September 4, 2009

Superintendent and School Board
Jackson County School District

Compliance

We have audited the compliance of the Jackson County School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The school district's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, Jackson County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

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

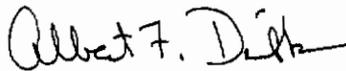
A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal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

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

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

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

Sincerely,



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

JACKSON COUNTY SCHOOL DISTRICT

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

JACKSON COUNTY SCHOOL DISTRICT

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CERTIFIED PUBLIC ACCOUNTANT

AICPA/MSCPA

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

September 4, 2009

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, 2008, which collectively comprise Jackson County School District's basic financial statements and have issued our report thereon dated September 4, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by Comptroller General of the United States.

Section 37-9-18(3)(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".

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 the following instance of noncompliance. The district reported \$157,958 of classroom supply funds carried over from previous years.

Finding

In our test of classroom supply funds, we noted that all teachers were given an equal allocation of classroom supply funds. Per Section 37-61-33(3)(a) (iv) of the Miss. Code Ann. (1972), "Local school districts shall allocate classroom supply funds equally among all classroom teachers in the school district. For purposes of this subparagraph, "teacher" shall mean any employee of the school board of a school district who is required by law to obtain a teacher's license from the State Board of Education and who is assigned to an instructional area of work as defined by the State Department of Education, but shall not include a federally funded teacher."

We recommend that the school district allocate the classroom supply funds equally to all teachers—except the federally funded teachers. If federally funded teachers are given a classroom supply allocation, it must be from the federal program from which they are paid or from the general fund. If they are partially paid from a federal fund, then they can receive a partial classroom allocation from the classroom supply funds.

School District's Response

We agree that the allocation should be made according to the above code and will make the necessary adjustments for compliance before end of year closure in the future.

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 requirement of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

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.

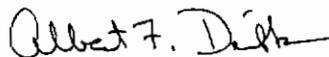
The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

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

The Jackson County School District's response to the finding included in this report was not audited and, accordingly, we express no opinion on it.

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

Sincerely,



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

JACKSON COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JACKSON COUNTY SCHOOL DISTRICT

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JACKSON COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

Section 1: Summary of Auditor's Results

Financial Statements

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

Federal Awards:

- | | | | | |
|----|--|--------|--------|-------------|
| 4 | Type of auditor's report issued on compliance for major federal programs: | | | Unqualified |
| 5 | Internal control over major programs: | | | |
| | a. Material weakness identified? | | | No |
| | b. Significant deficiency identified that is not considered to be material weakness? | | | No |
| 6 | Any audit finding reported as required by Section __.510(a) of Circular A-133? | | | No |
| 7 | Federal programs identified as major programs: | | | |
| | a. Hurricane education recovery act programs | CFDA#: | 84.938 | |
| | b. Improving teacher quality - state grants | CFDA#: | 84.367 | |
| | c. Special education cluster | | | |
| | Special education - grants to states | CFDA#: | 84.027 | |
| | Special education - preschool grants | CFDA#: | 84.173 | |
| 8 | The dollar threshold used to distinguish between type A and type B programs: | | | \$ 300,000 |
| 9 | Auditee qualified as low-risk auditee? | | | Yes |
| 10 | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | | | No |

Section 2: Financial Statement Finding

Significant Deficiency Not Considered to be a Material Weakness

2008-01 Finding

Policies and procedures should be in place to document, tag and record into the general fixed assets data base all fixed assets placed in service in the school district.

JACKSON COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

During our review of fixed assets, the following discrepancies were found:

- It was noted on the inventory existence and completeness test that three items were not tagged with an asset number.

There is a weak internal control over the completeness function of the general fixed assets.

The effect of the general fixed assets having not been complete could possibly cause a misstatement of assets, or items for which there was not accounting during yearly inventories.

We recommend that all assets purchased or placed into service by the school district be properly recorded into the general fixed assets data base and that all assets be properly tagged with an asset number.

Section 3: Federal Award Findings and Questioned Costs

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

JACKSON COUNTY SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

JACKSON COUNTY SCHOOL DISTRICT

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Jackson County School District

EAST CENTRAL ST. MARTIN VANCELEAVE

BARRY AMACKER, Ed.D., SUPERINTENDENT

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VANCELEAVE, MISSISSIPPI 39565-5069

October 26, 2009

Dribben&Associates, Ltd

P.O. Box 1411

MC Comb, MS 39649

The Jackson County School District has prepared and hereby submits the following corrective action plan for the following finding:

Finding 2008-01

Purchase Orders for assets requiring Fixed Asset Accountability are coded at the time of issuance with the fund ,function, object , and unit code that identifies the accountability required. After the check has been written, information sheets are prepared to detail items needed in the fixed asset record, and forwarded to the administrator responsible for custody of the asset. The information sheets contain the asset number, purchase order number, asset description, cost, claim number, check number, check date, vendor, manufacturer , model, serial number, and location of the asset. The administrator will provide all information not known and correct any errors pertaining to each asset. The administrator's signature verifies that the asset has been tagged or labeled with the asset number and that the information on the sheet is correct.

The sum total of all costs of assets on the sheets are reconciled with the General Ledger amounts for each claim docket and with the asset additions report. The reconciliation will indicate that all assets have been recorded and the information sheets which are returned provide the necessary information for individual asset recording and tagging or labeling.

A master file of information sheets is maintained to provide a means to follow the return of the sheets from all administrators. The Business Manager is responsible for monitoring this corrective action plan which is presently in place.

Sincerely,

Harold W. Rushing
Harold W. Rushing,

Business Manager

