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JACKSON PUBLIC SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2005

JACKSON PUBLIC SCHOOL DISTRICT
June 30, 2005

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June 30, 2005

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**BANKS, FINLEY,
WHITE & CO.**
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Jackson Public 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 Public School District as of and for the year ended June 30, 2005, which collectively comprise the Jackson Public School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Jackson Public 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 Public School District, as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2006, on our consideration of the Jackson Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 3 through 9 and the Budgetary Comparison Schedule and corresponding notes on pages 39 through 40 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.

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

Banks, Faily, White & Co.

June 16, 2006

(except for Note 15, as to which
the date is March 25, 2007)

JACKSON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

The discussion and analysis of the Jackson Public School District's financial performance provides an overall narrative review of the District's financial activities for the year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's performance as a whole; readers should also review the notes to the basic financial statements and the to enhance their understanding of the 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.

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

The Jackson Public School District has 59 schools - 8 high schools and a Career Development Center, 10 middle schools, 38 elementary schools, and 2 special schools. With more than 32,000 students enrolled, the Jackson Public School District is the largest school district in Mississippi. More than 83% of Jackson's school-age children attend one of our 59 schools. These students represent almost 1/5 of Jackson's total population. Our student population is larger than the populations of all but 7 Mississippi cities, and larger than 54 Mississippi counties. The District has 4,814 full-time employees.

FINANCIAL HIGHLIGHTS

- Total net assets decreased \$1,198,872, which represents 3.1% decrease from fiscal year 2004. This decrease was caused by an increase in the instructional expenditures of the District.
- General revenues account for \$193,184,162 in revenue, or 79.5% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$49,911,667 or 20.5% of total revenues.
- The District had \$246,818,836 in expenses; only \$49,911,667 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$193,184,162 were adequate to provide for these programs.
- Among major funds, the General Fund had \$181,903,729 in revenues and \$201,684,687 in expenditures. The General Fund's fund balance increased \$2,574,081 over the prior year.
- Capital assets, net of accumulated depreciation, decreased by \$154,021.
- Long-term debt decreased by \$9,095,665.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements can be found on pages 10 and 11 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 14 and 17, respectively, of this report.

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

The basic governmental fund financial statements can be found on pages 12 through 17 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Net Assets on page 18.

Notes to the financial statements. The notes provide additional information that is essential to have a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 through 37 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on pages 39 through 40 of this report.

A schedule of expenditures of federal awards is required by OMB Cir. A-133 and schedule of instructional, administrative and other expenditures for governmental funds can be found on pages 42 and 44 respectively, of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$37,758,971 as of June 30, 2005.

By far the largest portion of the District's net assets (30.24%) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, leased property under capital leases and construction in progress, less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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

The following table presents a summary of the District's net assets as of June 30, 2005 and 2004, respectively.

	Net Assets		Percentage Change
	<u>June 30, 2005</u>	<u>June 30, 2004</u>	
Current assets	\$ 57,312,590	\$ 68,425,276	(16.2%)
Capital assets, net	<u>103,391,632</u>	<u>103,545,653</u>	(0.1%)
Total assets	<u>160,704,222</u>	<u>171,970,929</u>	(6.6%)
Current liabilities	18,706,108	19,677,278	(4.90%)
Long-term debt outstanding	<u>104,239,143</u>	<u>113,334,808</u>	(8.00%)
Total liabilities	<u>122,945,251</u>	<u>133,012,086</u>	(7.6%)

Net assets:

Invested in capital assets, net of related debt	11,419,266	19,033,616	(40.0%)
Restricted	17,111,991	14,869,722	15.1%
Unrestricted	<u>9,227,714</u>	<u>5,055,505</u>	82.5%
Total net assets	\$ <u>37,758,971</u>	\$ <u>38,958,843</u>	(3.1%)

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

- The use of current assets to pay for current liabilities has reduced both current assets and current liabilities for the year ending June 30, 2005.

Changes in net assets. The District's total revenues for the fiscal year ended June 20, 2005 were \$243,095,829. The total cost of all programs and services was \$246,818,836. The following table presents a summary of the changes in net assets for the fiscal years ending June 30, 2005 and 2004, respectively.

	<u>Change in Net Assets</u>		<u>Percentage Change</u>
	<u>June 30, 2005</u>	<u>June 30, 2004</u>	
Revenues:			
Program revenues:			
Charges for services	\$ 5,380,087	\$ 5,572,978	(3.5%)
Operating grants and contributions	44,531,580	39,029,340	14.1%
Capital grants and contributions	-	709,694	(100%)
General revenues			
Property taxes	78,090,043	80,065,319	(2.5%)
Unrestricted investments earnings	1,044,014	643,512	62.2%
Grants and contributions not restricted	111,086,492	105,394,935	5.4%
Other	<u>2,963,613</u>	<u>1,061,617</u>	179.2%
Total revenues	<u>243,095,892</u>	<u>232,477,395</u>	4.6%
Expenses:			
Instruction	131,510,473	121,834,718	7.9%
Support services	94,563,175	85,010,024	11.2%
Non-instructional	15,383,542	15,090,497	1.9%
Sixteenth section	71,272	115,827	(38.5%)
Interest and other expense on long-term liabilities	<u>5,290,374</u>	<u>6,071,528</u>	(12.9%)
Total expenses	<u>246,818,836</u>	<u>228,122,594</u>	8.2%
Increase (Decrease) in net assets	<u>(3,723,007)</u>	<u>4,354,801</u>	(185.5%)
Net Assets, July 1	38,958,843	38,003,675	2.5%
Prior period adjustment	<u>2,523,135</u>	<u>(3,399,633)</u>	(174.2%)
Net Assets, as restated	<u>41,481,978</u>	<u>34,604,042</u>	19.9%
Net Assets, June 30	\$ <u>37,758,971</u>	\$ <u>38,958,843</u>	(3.1%)

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

- Operating grants and contributions increased \$5,502,240 from the previous fiscal year.
- Unrestricted grants and contributions increased \$5,691,557 from the previous fiscal year.
- Instructional expenses increased \$9,675,755 from the previous fiscal year primarily as a result of the last year of a five-year increase in teacher salaries, which averaged 8%.
- Support services expenses increased \$9,553,151 from the previous fiscal year. The support staff was given a similar raises as the instructional staff referred to above.

Governmental activities. The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest and other expenses on long-term debt for fiscal years ending June 30, 2005 and 2004, respectively. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

	2005		2004	
	Total Expenses	Net(Expense) Revenue	Total Expenses	Net(Expense) Revenue
Instruction	\$131,510,473	\$(110,924,850)	\$121,834,718	\$(102,527,577)
Support services	94,563,175	(80,124,825)	85,010,024	(71,898,071)
Sixteenth Section	71,272	(71,272)	115,827	(115,827)
Non-instructional	15,383,542	(495,848)	15,090,497	(2,197,579)
Interest and other expenses on long-term liabilities	5,290,374	(5,290,374)	6,071,528	(6,071,528)
Total expenses	<u>\$246,818,836</u>	<u>\$(196,907,169)</u>	<u>\$228,122,594</u>	<u>\$(182,810,582)</u>

- Net cost of governmental activities (\$196,907,169) was financed by general revenue, which is made up of primarily property taxes (\$78,090,043) and state revenue (\$109,475,412).
- Investment earnings accounted for \$1,044,014 of funding.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the district completed the year, its governmental funds reported a combined fund balance of \$39,731,243, a decrease of \$10,485,978 due primarily to a reduction in fund balance for capital projects. \$24,189,384 or 60.9% 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 \$15,541,859 or 39.1% is reserved or designated to indicate that it is not available for spending because it has already been committed primarily for capital projects.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$2,704,016. The fund balance in the 2003-B Construction Fund decreased \$5,931,497 due primarily to construction projects drawing closer to completion. The fund balance of Other Governmental Funds decreased \$7,258,497 due primarily to other construction projects drawing closer to completion.

BUDGETARY HIGHLIGHTS

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

- Budget amounts for revenue from state sources decreased. The original budgeted amounts overestimated budgeted amounts by the Mississippi legislature. This was done upon suggestion of the Mississippi Department of Education.
- Proceeds, and the subsequent repayment of a short-term tax anticipation note were not anticipated at the time the original budget was adopted.

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, 2005, the District's total capital assets were \$185,109,518, including land, school buildings, buses, other school vehicles and furniture and equipment. This amount represents a decrease of \$3,040,330 from the previous year. Total accumulated depreciation as of June 30, 2005 was \$81,717,886 and total depreciation expense for the year was \$5,347,569, resulting in total net assets of \$103,391,632.

	Capital Assets, Net Depreciation		Percentage Change
	2005	2004	
Land	\$ 2,937,842	\$ 2,937,842	0.0%
Buildings	81,120,690	71,516,502	11.8%
Improvements other than buildings	10,845,625	10,129,428	6.6%
Mobile equipment	5,035,207	6,314,390	(25.4%)
Furniture and equipment	1,358,983	1,847,136	(35.9%)
Leased property under capital leases	8,054	79,368	(885.4%)
Construction in progress	2,085,231	10,720,987	(414.1%)
Total	<u>\$103,391,632</u>	<u>\$103,545,653</u>	(0.1%)

Additional information of the District's capital assets can be found in Note 5 on page 28 of this report.

Debt Administration. At June 30, 2005, the District had \$104,239,143 in general obligation bonds and other long-term debt outstanding, of which \$7,472,021 is due within one year.

	Outstanding Debt		Percentage Change
	2005	2004	
General obligation bonds payable	\$ 9,170,000	\$ 16,030,000	(42.8%)
Limited obligation bonds payable	27,525,000	28,935,000	(4.9%)
Three mill notes payable	52,951,688	54,656,688	(3.1%)
Obligations under capital leases	2,325,678	985,973	135.9%
Obligations under energy efficiency leases	8,124,094	8,519,953	(4.6%)
Qualified zone academy bonds payable	2,500,000	2,500,000	0.0%
Compensated absences payable	1,642,683	1,707,194	(3.8%)
Total	<u>\$104,239,143</u>	<u>\$113,334,808</u>	(8.0%)

The District maintains an AAA bond rating with Moody's Investor Services.

Additional information of the District's long-term debt can be found in Note 6 on page 29 of this report.

CURRENT ISSUES

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

The District has committed itself to financial excellence for many years. The millage has increased 0.94% over five years. In addition, the District system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

District enrollment figures have remained at approximately 31,500 students since the 2000-2001 school year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Jackson Public School District, Post Office Box 2338, Jackson, Mississippi 39225-2338.

JACKSON PUBLIC SCHOOL DISTRICT
Statement of Net Assets
June 30, 2005

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 30,608,051
Cash with fiscal agent	4,218,641
Investments	9,266,990
Due from other governments	8,873,817
Other receivables, net	3,180,639
Inventories	900,196
Restricted deposits	264,256
Capital assets, net	<u>103,391,632</u>
Total Assets	\$ <u>160,704,222</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 6,191,697
Salary benefits & withholdings payable	11,004,792
Deferred revenue	384,861
Accrued interest payable	1,124,758
Long-term liabilities, due within one year	
Capital related liabilities	6,943,169
Noncapital related liabilities	528,852
Long-term liabilities, due beyond one year	
Capital related liabilities	85,029,197
Noncapital related liabilities	<u>11,737,925</u>
Total Liabilities	<u>122,945,251</u>
Net Assets	
Invested in capital assets, net of related debt	11,419,266
Restricted net assets:	
Expendable:	
School-based activities	3,595,084
Debt service	4,372,752
Capital improvements	8,308,377
Forestry improvements	25,775
Unemployment benefits	546,874
Nonexpendable:	
Sixteenth section	263,129
Unrestricted	<u>9,227,714</u>
Total Net Asset	<u>37,758,971</u>
Total Liabilities and Net Assets	\$ <u>160,704,222</u>

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

JACKSON PUBLIC SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction	\$ 131,510,473	3,429,494	17,156,129	-	\$ (110,924,850)
Support services	94,563,175	1,950,593	12,487,757	-	(80,124,825)
Non-instructional	15,383,542	-	14,887,694	-	(495,848)
Sixteen section	71,272	-	-	-	(71,272)
Interest on long-term liabilities	5,290,374	-	-	-	(5,290,374)
Total Governmental Activities	<u>\$ 246,818,836</u>	<u>5,380,087</u>	<u>44,531,580</u>	<u>-</u>	<u>\$ (196,907,169)</u>
General Revenues:					
Taxes:					
General purpose levies					\$ 70,877,138
Debt purpose Levies					7,212,905
Unrestricted grants and contributions:					
State					109,475,412
Federal					1,611,080
Unrestricted investment earnings					1,044,014
Sixteenth section sources					1,229,627
Other					1,733,986
Total General Revenues					<u>193,184,162</u>
Change in net Assets					<u>(3,723,007)</u>
Net Assets - Beginning					38,958,843
Prior period adjustments					<u>2,523,135</u>
Net Assets - Beginning - Restated					<u>41,481,978</u>
Net Assets - Ending					<u>\$ 37,758,971</u>

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

JACKSON PUBLIC SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2005

ASSETS	Major Funds	
	General Fund	2003-B Construction Fund
Cash and cash equivalents (Note 2)	\$ 16,038,112	8,935,339
Cash with fiscal agent (Note 2)	2,687,608	-
Investments (Note 2)	-	164,384
Due from other governments	4,112,674	-
Other receivable, net	207,037	-
Due from other funds (Note 3)	10,110,514	50,130
Inventories	528,978	-
Total Assets	\$ 33,684,923	9,149,853
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Accounts payable and accrued liabilities	\$ 11,447,752	1,298,008
Due to other funds (Note 3)	742,678	32,843
Deferred revenue	-	-
Total Liabilities	12,190,430	1,330,851
Fund Balances:		
Reserved for:		
Inventory	528,978	-
Unemployment benefits:	-	-
Forestry improvement purposes:	-	-
Permanent fund purposes:	-	-
Capital projects:	-	7,819,002
Debt service:	-	-
Unreserved:		
Undesignated, reported in:		
General Fund	20,965,515	-
Special Revenue Funds	-	-
Total Fund Balances	21,494,493	7,819,002
Total Liabilities and Fund Balances	\$ 33,684,923	9,149,853

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

EXHIBIT C

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
5,898,857	\$ 30,872,308
1,531,033	4,218,641
9,102,606	9,266,990
4,761,144	4,761,144
14,452	221,489
638,137	10,798,781
<u>371,217</u>	<u>900,195</u>
<u>22,317,446</u>	<u>\$ 61,039,548</u>
4,450,727	\$ 17,196,487
7,064,110	7,839,631
<u>384,861</u>	<u>384,861</u>
<u>11,899,698</u>	<u>25,420,979</u>
371,217	900,195
546,874	546,874
25,775	25,775
263,129	263,129
489,374	8,308,376
5,497,510	5,497,510
-	20,965,515
<u>3,223,869</u>	<u>3,223,869</u>
<u>10,417,748</u>	<u>39,731,243</u>
<u>22,317,446</u>	<u>\$ 65,152,222</u>

JACKSON PUBLIC SCHOOL DISTRICT
 Reconciliation of Governmental Funds Balance Sheet to the
 Statement of Net Assets
 June 30, 2005

	Amount
Total Fund Balance - Governmental Funds	\$ 39,731,243
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$81,717,886.	103,391,632
2. Long-term liabilities are not due and payable in the current period therefore are not reported in the funds. (Note 5)	(104,239,143)
3. Government funds recognize interest on long-term debt when it become due, however the Statement of Net Assets recognizes interest as it accrues.	(1,124,758)
4. Rounding.	(3)
Total Net Assets - Governmental Activities	\$ 37,758,971

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

JACKSON PUBLIC SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	Major Funds	
	General Fund	2003-B Construction Fund
Revenues:		
Local sources	\$ 74,680,574	457,880
State sources	105,612,075	-
Federal sources	1,611,080	-
Sixteenth section sources	-	-
Total Revenues	181,903,729	457,880
Expenditures:		
Instruction	106,412,142	-
Support services	72,988,189	-
Noninstructional services	77,454	-
Sixteen section	-	-
Facilities acquisition and contribution	215,163	6,389,377
Debt service:		
Principal	21,342,147	-
Interest	649,592	-
Other	-	-
Total Expenditures	201,684,687	6,389,377
Excess (Deficiency) of Revenues over Expenditures	(19,780,958)	(5,931,497)
Other Financing Sources (Uses):		
Proceeds from loans	20,000,000	-
Inception of capital lease	2,143,993	-
Payment held by Escrow Agent	-	-
Operating transfers in	8,877,520	-
Operating transfers out	(9,712,530)	-
Payment to Qualified Zone Academy Debt Escrow Agent	-	-
Other financing sources	1,048,779	-
Other financing uses	(37)	-
Total Other Financing Sources (Uses)	22,357,725	-
Net Change in Fund Balances	2,576,767	(5,931,497)
Fund Balances:		
July 1, 2004	18,790,477	13,750,499
Prior period adjustments (Note 9)	2,686	-
July 1, 2004, as restated	18,793,163	13,750,499
Increase (Decrease) in reserve for inventory	124,563	-
June 30, 2005	\$ 21,494,493	7,819,002

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

EXHIBIT D

Other Governmental Funds	Total Governmental Funds
10,060,898	\$ 85,199,352
7,300,347	112,912,422
41,094,570	42,705,650
<u>1,229,627</u>	<u>1,229,627</u>
<u>59,685,442</u>	<u>242,047,051</u>
22,429,408	128,841,550
12,640,691	85,628,880
15,883,234	15,960,688
71,272	71,272
3,302,220	9,906,760
35,058,000	56,400,147
4,385,931	5,035,523
599,312	599,312
<u>94,370,068</u>	<u>302,444,132</u>
<u>(34,684,626)</u>	<u>(60,397,081)</u>
25,225,000	45,225,000
-	2,143,993
142,000	142,000
6,109,119	14,986,639
(5,274,109)	(14,986,639)
(142,000)	(142,000)
-	1,048,779
(191)	(228)
<u>26,059,819</u>	<u>48,417,544</u>
<u>(8,624,807)</u>	<u>(11,979,537)</u>
17,676,245	50,217,221
<u>1,395,377</u>	<u>1,398,063</u>
<u>19,071,622</u>	<u>51,615,284</u>
(29,067)	95,496
<u>10,417,748</u>	<u>\$ 39,731,243</u>

JACKSON PUBLIC 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, 2005

	Amount
Net Change in Fund Balances - Governmental Funds	\$ (11,979,537)
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchase amounted to \$4,470,035 and the depreciation expense amounted to \$5,347,569.	(877,534)
2. The issuance of long-term debt provides current financial resources to governmental funds, but the issuance increase long-term liabilities in the Statement of Activities.	(40,996,688)
3. Payment on principal on long-term liabilities is reported as expenditures in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.	50,027,842
4. Government funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	344,461
5. Gain and loses on the sale of disposal assets are not reported in the governmental funds, but are reported in the Statement of Activities net of proceeds.	(401,555)
6. Decrease in inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are increased in the Statement of Activities.	95,496
7. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the government funds: Compensated absences	64,511
8. Rounding	(3)
Change in Net Assets of Governmental Activities	\$ (3,723,007)

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

JACKSON PUBLIC SCHOOL DISTRICT
Statement of Fiduciary Net Assets
June 30, 2005

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents (Note 2)	\$ 5,967,831
Other receivables	<u>21,833</u>
Total Assets	<u>\$ 5,989,664</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 3,030,514
Due to other funds (Note 3)	<u>2,959,150</u>
Total Liabilities	<u>\$ 5,989,664</u>

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

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand alone government." The school district is a related organization of, but not a component unit of, the City of Jackson since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

B. Basis of Presentation

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

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

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

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2005

C. Measurement Focus and Basis of Accounting

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

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

The school district reports the following major governmental funds:

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

2003-B Construction Fund - This is the school district's fund used to account for capital expenditures for building construction, renovations and classroom additions.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2005

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

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

FIDUCIARY FUNDS

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

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting* as issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems*, 1990 issued by the U.S. Department of Education.

E. Encumbrances.

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

F. Cash and Cash Equivalents.

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

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

G. Investments.

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

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

Investments are reported at fair value.

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2005

H. Inventories and Prepaid Items.

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

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

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

I. Capital Assets

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

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

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

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

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

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

J. Long-term liabilities.

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

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2005

K. Interfund Transactions and Balances.

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

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

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

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

L. Equity Classifications.

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

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

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

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2005

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

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

Reserved for 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.

M. Property Taxes

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

N. Mississippi Adequate Education Program Revenues

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

O. Compensated Absences.

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

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

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2005

NOTE 2 - CHANGES IN ACCOUNTING STANDARDS

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

NOTE 3 - CASH AND CASH EQUIVALENTS, CASH WITH FISCAL AGENT AND INVESTMENTS

Cash and Cash Equivalents

The collateral for public entities's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$30,872,308 and \$5,967,831, respectively. The carrying amount of deposits reported in the government-wide financial statements was: Cash and Cash Equivalents - \$30,608,051 and Restricted Assets - \$8,873,817. The Restricted Assets represent the cash balance in the sixteenth section principal fund (Permanent Fund) which is legally restricted and may not be used for purposes that support district's programs. The bank balance was \$27,702,561.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of a failure of a financial institutions, 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 the 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, 2005, none of the district's bank balance of \$27,702,561 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of the school district's cash with fiscal agents held by financial institutions was \$4,218,641.

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2005

Investments

As of June 30, 2005, the district had the following investments.

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>Rating</u>
U.S. Government securities	less than 1	<u>9,266,990</u>	AA
Total Investments		<u>\$ 9,266,990</u>	

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. Of the district's investments in Trustmark National Bank, \$9,266,990 of underlying securities are held by the investments counterparty, not in the name of the district.

Concentration of Credit Risk. Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2005, the district had the following investments:

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Trustmark National Bank	<u>\$ 9,266,990</u>	100%
	<u>\$ 9,266,990</u>	

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2005

NOTE 4 - INTERFUND TRANSACTIONS AND BALANCES

The following is a summary of interfund transactions and balances:

A.	Due From/To Other Funds:	<u>Due From</u>	<u>Due to</u>
	Governmental funds:		
	General Fund	\$ 10,110,514	\$ 742,678
	2003-B Construction Fund	50,130	32,843
	Other Governmental Funds	638,137	7,064,110
	Fiduciary Funds		
	Agency Funds	<u>-</u>	<u>2,959,150</u>
	Total Funds	<u>\$ 10,798,781</u>	<u>\$ 10,798,781</u>

Due from other funds represents amounts receivable from other funds and due to other funds represents amounts payable to other funds.

B.	Transfers In/Transfers Out	<u>Transfer In</u>	<u>Transfers Out</u>
	Governmental funds		
	General Fund	\$ 8,877,520	\$ 9,712,530
	Non-governmental Funds	<u>6,109,119</u>	<u>5,274,109</u>
	Total Funds	<u>\$ 14,986,639</u>	<u>\$ 14,986,639</u>

Transfers-in represent the receipts of monies from other funds and transfers-out represent monies disbursed to other funds.

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2005

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2004	Additions	Retirements	Completed Construction	Adjustments	Balance June 30, 2005
Non-depreciable capital assets:						
Land	\$ 2,937,842	-	-	-	-	\$ 2,937,842
Construction in progress	<u>10,720,987</u>	<u>3,532,498</u>	<u>-</u>	<u>(13,293,322)</u>	<u>1,125,068</u>	<u>2,085,231</u>
Total non-depreciable capital assets	<u>13,658,829</u>	<u>3,532,498</u>	<u>-</u>	<u>(13,293,322)</u>	<u>1,125,068</u>	<u>5,023,073</u>
Depreciable capital assets:						
Buildings	114,649,639	-	-	11,684,552	-	126,334,191
Improvement other than buildings	21,787,707	-	-	1,608,770	-	23,396,477
Mobile equipment	16,967,872	517,721	(893,644)	-	-	16,591,949
Furniture and equipment	14,789,039	419,816	(1,661,129)	-	-	13,547,726
Leased property under capital leases	<u>216,102</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>216,102</u>
Total depreciable capital assets	<u>168,410,359</u>	<u>937,537</u>	<u>(2,554,773)</u>	<u>13,293,322</u>	<u>-</u>	<u>180,086,445</u>
Less accumulated depreciation for:						
Buildings	43,133,137	2,080,364	-	-	-	45,213,501
Improvement other than buildings	11,658,279	892,573	-	-	-	12,550,852
Mobile equipment	10,653,482	1,682,435	(779,175)	-	-	11,556,742
Furniture and equipment	12,941,903	620,883	(1,374,043)	-	-	12,188,743
Leased property under capital leases	<u>136,734</u>	<u>71,314</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>208,048</u>
Total accumulated depreciation	<u>78,523,535</u>	<u>5,347,569</u>	<u>(2,153,218)</u>	<u>-</u>	<u>-</u>	<u>81,717,886</u>
Total depreciable capital assets, net	<u>89,886,824</u>	<u>(4,410,032)</u>	<u>(401,555)</u>	<u>13,293,322</u>	<u>-</u>	<u>98,368,559</u>
Governmental activities capital assets, net	<u>\$ 103,545,653</u>	<u>(877,534)</u>	<u>(401,555)</u>	<u>-</u>	<u>1,125,068</u>	<u>\$ 103,391,632</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 3,020,430
Support services	2,257,170
Non-instructional	<u>69,969</u>
Total depreciation expense	<u>\$ 5,347,569</u>

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

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2005

Adjustments:

Adjustments to capital assets and accumulated depreciation represent amounts needed to reconciled the beginning balances at July 1, 2005 to the fixed asset schedules maintained by the school district.

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

<u>Project name</u>	<u>Remaining Commitment</u>	<u>Required Future Financing</u>
Classroom additions		
Boyd	\$ 2,327,572	\$ -
Total	<u>\$ 2,327,572</u>	<u>\$ -</u>

NOTE 6 - LONG-TERM LIABILITIES

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

	<u>Balance 7-01-2004</u>	<u>Add.</u>	<u>Reductions</u>	<u>Balance 6-30-2005</u>	<u>Amounts due within One Year</u>
A. General obligation bond payable	\$ 16,030,000	-	(6,860,000)	\$ 9,170,000	\$ 1,915,000
B. Limited obligation bonds payable	28,935,000	-	(1,410,000)	27,525,000	1,490,000
C. Three mill notes payables	54,656,688	20,996,688	(22,701,688)	52,951,688	2,580,000
D. Obligation under capital leases	985,973	-	1,339,705	2,325,678	958,169
E. Obligations under energy efficiency lease	8,519,953	-	(395,859)	8,124,094	395,859
F. Qualified zone academy bonds payable	2,500,000	-	-	2,500,000	-
G. Tax Anticipation Note	-	20,000,000	(20,000,000)	-	-
H. Compensated absences payable	1,707,194	(64,511)	-	1,642,683	132,993
Total	<u>\$ 113,334,808</u>	<u>40,932,177</u>	<u>(50,027,842)</u>	<u>\$ 104,239,143</u>	<u>\$ 7,472,021</u>

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2005

A. General obligation bond 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:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Leasing Authority - 3.75 mil Refunding General Obligation Refunding Bond Series 1998	4.25 - 6.0	6/8/95	4/1/07	\$ 18,870,000	\$ 5,765,000
	Various	9/23/98	7/1/07	<u>13,290,000</u>	<u>3,405,000</u>
Total				<u>\$ 32,160,000</u>	<u>\$ 9,170,000</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 1,915,000	236,700	\$ 2,151,700
2007	4,660,000	287,318	4,947,318
2008	<u>2,595,000</u>	<u>55,144</u>	<u>2,650,144</u>
Total	<u>\$ 9,170,000</u>	<u>579,162</u>	<u>9,749,162</u>

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

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2005

B. Limited obligation bonds payable

Limited obligation bonds are direct obligations and pledge the full faith and credit of the school district. Limited obligation bonds currently outstanding are 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>
State aid capital improvement bonds, Series 1998	4.25 - 6.0	5/1/98	2/1/18	\$ 19,300,000	\$ 16,030,000
State aid capital improvement bond, Series 1998	4.875 -6.375	6/1/98	2/1/18	<u>13,965,000</u>	<u>11,495,000</u>
Total				<u>\$33,265,000</u>	<u>\$27,525,000</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>
2006	\$ 1,490,000	1,323,886	\$ 2,813,886
2007	1,590,000	1,236,418	2,826,418
2008	1,660,000	1,152,396	2,812,396
2009	1,715,000	1,066,786	2,781,786
2010	1,800,000	981,255	2,781,255
2011 - 2014	10,460,000	3,493,991	13,953,991
2016 - 2019	<u>8,810,000</u>	<u>755,469</u>	<u>9,565,469</u>
Total	<u>\$ 27,525,000</u>	<u>10,010,201</u>	<u>\$ 37,535,201</u>

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage. This debt will be retired from the MAEP Retirement Fund.

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2005

C. Three mill 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>
Limited Tax Notes Series 2000-A	4.35 - 4.8	9/1/00	10/1/10	3,000,000	1,270,000
Limited Tax Notes Series 2000-B	4.35 - 5.375	9/1/00	10/1/20	32,205,000	6,835,000
Limited Tax Notes Series 2003-B	4.35 - 5.375	10/1/03	10/1/08	4,615,000	3,630,000
Limited Tax Notes Series 2003-B	4.35 - 5.375	10/1/03	10/1/23	16,381,688	15,991,688
Limited Tax Notes Series 2005	2.45 - 5.0	5/2/05	10/1/20	<u>25,225,000</u>	<u>25,225,000</u>
Total				<u>\$ 81,426,688</u>	<u>\$ 52,951,688</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>
2006	\$ 2,580,000	1,772,853	\$ 4,352,853
2007	2,620,000	1,798,756	4,418,756
2008	2,635,000	1,707,658	4,342,658
2009	2,715,000	1,610,530	4,325,530
2010	2,770,000	1,508,664	4,278,664
2011 - 2015	15,590,000	5,737,416	21,327,416
2016 - 2020	15,990,404	5,394,211	21,384,615
2020 - 2025	<u>8,051,284</u>	<u>8,833,715</u>	<u>16,884,999</u>
Total	<u>\$ 52,951,688</u>	<u>28,363,803</u>	<u>\$ 81,315,491</u>

This debt will be retired from the Three Mill Notes Retirement Funds.

D. Obligations under capital leases

The school district has entered into four lease agreements that qualify as capital leases for accounting purposes. Leased property under these leases is composed of:

1. Video security cameras
2. 74 Copiers
3. Vital distance learning education equipment
4. Portable classroom security cameras

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2005

The various options available to the lessee for these leases are as follows:

1. The lessee may, at its option, pay to the lessor the purchase price set forth in the payment schedule in order to purchase the equipment.
2. Title to the equipment passes to the lessee at the end of the lease period after the lease obligation has been fulfilled.

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

Year Ending June 30	Principal	Interest	Total
2006	\$ 958,169	66,768	\$ 1,024,937
2007	535,745	34,196	569,941
2008	550,688	19,253	569,941
2009	<u>281,076</u>	<u>3,893</u>	<u>284,969</u>
Total	<u>\$ 2,325,678</u>	<u>124,110</u>	<u>\$ 2,449,788</u>

This debt will be retired from the District Maintenance Fund.

E. Obligations under energy efficiency lease.

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

Year Ending June 30	Principal	Interest	Total
2006	\$ 395,859	451,313	\$ 847,172
2007	430,312	429,288	859,600
2008	466,845	405,364	872,209
2009	505,570	379,427	884,997
2010 -2015	546,612	351,357	897,969
2016 -2019	3,439,267	1,251,716	4,690,983
2020 - 2024	<u>2,339,629</u>	<u>247,015</u>	<u>2,586,644</u>
Total	<u>\$ 8,124,094</u>	<u>3,515,480</u>	<u>\$11,639,574</u>

An energy efficiency lease agreement dated July 2, 2002, was executed by and between the district, the lessee, and First Security Leasing, Inc., the lessor.

The agreement authorized the borrowing of \$8,348,849 for the purchase of energy efficiency equipment, machinery, supplies building modifications and other energy saving items. The agreement repayment schedule included capitalized interest resulting in total repayments of \$8,737,450. Payments of the lease shall be made from the district maintenance fund and not exceed fifteen (15) years.

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2005

The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972). Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

This debt will be retired from the District Maintenance Fund.

F. Qualified Zone Academy bonds payable

As more fully explained in Note 12, debt have been issued by the school district that qualifies as Qualified Zone Academy Bonds. 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>
Qualified Zone Academy Bonds	0%	7/20/00	7/01/12	\$ <u>2,500,000</u>	\$ <u>2,500,000</u>
Total				\$ <u>2,500,000</u>	\$ <u>2,500,000</u>

This debt will be retired from the District Maintenance Fund.

G. Compensated absences payable

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

NOTE 7 - DEFINED BENEFIT PENSION PLAN

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary and the school district is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2005, 2004, and 2003 were \$13,543,392, \$12,608,099, and \$11,840,527, respectively, which equaled the required contributions for each year.

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2005

NOTE 8 - SIXTEENTH SECTION LANDS

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

Year Ending June 30,	Amount
2006	\$ 780,286
2007	751,836
2008	716,586
2009	668,296
2010	644,976
2011-2015	2,815,030
2016-2020	2,181,786
2021-2025	1,958,797
2026-2030	1,364,235
2031-2035	1,170,330
2036-2040	600,951
2041-2045	54,730
	\$ 13,707,839

NOTE 9 - OTHER COMMITMENTS

Commitments under construction contracts are described in Note 4.

Commitments under re-roofing and renovation contracts amounted to \$15,357,222.

NOTE 10 - PRIOR PERIOD ADJUSTMENTS

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

	Amount
To correct a prior period error in recording an asset	\$ 2,523,135

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2005

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

<u>Major Funds</u>	<u>Explanations</u>	<u>Amount</u>
General Fund	To correct a prior period error in recording an asset	\$ 2,686
Other Governmental Funds	To correct a prior period error in recording an asset	1,395,377
		<u>\$ 1,398,063</u>

NOTE 11 - RISK MANAGEMENT

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 127 school districts and covers risks of loss arising from injuries to the school district's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by BancorpSouth Bank in Jackson. The funds in the trust account are used to pay any claim up to \$400,000. For a claim exceeding \$400,000, MSBAWCT has insurance which will pay the excess up to \$25,000,000. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

NOTE 12 - QUALIFIED ZONE ACADEMY BONDS

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with Trustmark National Bank, has entered into such an arrangement dated July 20, 2000.

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For the Year Ended June 30, 2005

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before July 1. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt. The following schedule reports the yearly deposits to be made to the sinking fund by the school district:

<u>Year Ending June 30</u>	<u>Amount</u>
2006	\$ 142,000
2007	142,000
2008	142,000
2009	142,000
2010	142,000
2011 - 2013	<u>404,000</u>
Total	<u>\$ 1,114,000</u>

NOTE 13 - DEFEASANCE OF DEBT

During the current year, the Jackson Public School District defeased certain limited tax notes obligation by placing the proceeds of the new notes in an irrevocable trust to provide for all future debt service payments on the old notes. Accordingly, the trust account assets and liabilities for the defeased notes are not included in the district's financial statements. On June 30, 2005, \$24,535,000 of the notes outstanding are defeased.

NOTE 14 - LITIGATION

The Jackson Public School District is involved in various claims against the district, arising in the normal course of business. Management believes that their insurance coverage will be sufficient to pay any liabilities.

NOTE 15 - AUDIT OF IMPROVING TEACHER QUALITY - STATE GRANT

The schools and libraries program of the universal service fund expenditures were not audited as a major program during our initial audit dated June 16, 2006. The grant expenditures for this grant was audited as a major program on March 25, 2007.

JACKSON PUBLIC SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2005

JACKSON PUBLIC SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2005

	BUDGETED AMOUNTS			VARIANCES	
	Original	Final	Actual (GAAP Basis)	POSITIVE (NEGATIVE)	
				Original to Final	Final to Actual
Revenues:					
Local sources	\$ 74,404,277	76,238,024	74,680,574	1,833,747	\$ (1,557,450)
State sources	114,279,669	107,807,184	105,612,075	(6,472,485)	(2,195,109)
Federal sources	1,163,831	1,016,424	1,611,080	(147,407)	594,656
Total Revenues	<u>189,847,777</u>	<u>185,061,632</u>	<u>181,903,729</u>	<u>(4,786,145)</u>	<u>(3,157,903)</u>
Expenditures					
Instruction	106,540,103	109,346,640	106,412,142	(2,806,537)	2,934,498
Support services	71,384,080	72,005,438	72,988,189	(621,358)	(982,751)
Noninstructional services	176,466	176,466	77,454	-	99,012
Facilities Acquisition & const.	370,284	392,908	215,163	(22,624)	177,745
Debt Service payment.					
Principal	1,043,975	21,043,975	21,342,147	(20,000,000)	(298,172)
Interest	941,378	1,067,091	649,592	(125,713)	417,499
Total Expenditures	<u>180,456,286</u>	<u>204,032,518</u>	<u>201,684,687</u>	<u>(23,576,232)</u>	<u>2,347,831</u>
Excess (Deficiencies) of Revenues Over Expenditures	<u>9,391,491</u>	<u>(18,970,886)</u>	<u>(19,780,958)</u>	<u>(28,362,377)</u>	<u>(810,072)</u>
Other Financing Sources (Uses)					
Proceeds of Loans	1,705,000	21,942,861	20,000,000	20,237,861	(1,942,861)
Inception of capital lease	-	-	2,143,993	-	2,143,993
Indirect Costs	1,000,000	1,000,000	-	-	(1,000,000)
Operating transfers-in	938,353	6,071,460	8,877,520	5,133,107	2,806,060
Operating transfers-out	(10,598,849)	(10,401,452)	(9,712,530)	197,397	688,922
Other financing sources	-	-	1,048,779	-	1,048,779
Other financing uses	-	-	(37)	-	(37)
Total Other Financing Sources (Uses)	<u>(6,955,496)</u>	<u>18,612,869</u>	<u>22,357,725</u>	<u>25,568,365</u>	<u>3,744,856</u>
Net Change in Fund Balances	<u>2,435,995</u>	<u>(358,017)</u>	<u>2,576,767</u>	<u>(2,794,012)</u>	<u>2,934,784</u>
Fund Balances:					
July 1, 2004	19,588,447	19,588,447	18,790,477	-	(797,970)
Period period adjustment (Note 9)	125,429	125,546	2,686	117	(122,860)
July 1, 2004, as restated	<u>19,713,876</u>	<u>19,713,993</u>	<u>18,793,163</u>	<u>117</u>	<u>(920,830)</u>
Increase (decrease) in reserve for inventory	-	-	124,563	-	124,563
June 30, 2005	<u>\$ 22,149,871</u>	<u>19,355,976</u>	<u>21,494,493</u>	<u>(2,793,895)</u>	<u>\$ 2,138,517</u>

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

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Required Supplemental Information
For the Year Ended June 30, 2005

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

JACKSON PUBLIC SCHOOL DISTRICT

SUPPLEMENTAL INFORMATION

JUNE 30, 2005

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

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>		
Passed-Through MS Department of Education:		
Non-Cash Assistance:		
Food donation	10.550	\$ <u>989,448</u>
Child Nutrition Cluster:		
School Breakfast Program	10.553	2,942,180
National School Lunch Program	10.555	9,238,666
Summer Food Service Program for Children	10.559	<u>250,028</u>
Total pass-through MS Department of Education		<u>12,430,874</u>
Passed-Through City of Jackson, MS		
Summer Food Service Program for Children	10.559	<u>151,688</u>
Total Child Nutrition Cluster		<u>12,582,562</u>
 Total U.S. Department of Agriculture		 <u>13,572,010</u>
<u>National Aeronautic and Space Administration</u>		
Passed-through the Stennis Space Center		
Aerospace Education Services Program	43.001	<u>2,500</u>
Total National Aeronautics and Space Administration		<u>2,500</u>
<u>National Science Foundation</u>		
Direct Program:		
Education and Human Resources	47.076	<u>1,014,392</u>
Total National Science Foundation		<u>1,014,392</u>
<u>U. S. Department of Education</u>		
Direct Program:		
Fund for the Improvement of Education	84.215	656,602
Twenty-First Century Community Learning Centers	84.287	353,344
Advanced Placement Program	84.330	511,042
Safe and Drug-free Schools and Communities-National Programs	84.184	<u>32,470</u>
Total Direct Programs		<u>1,553,458</u>
Passed-through State Junior College Board:		
Adult Education-State Grant Program	84.002	<u>379,737</u>
Total Pass-through State Junior College Board		<u>379,737</u>
Pass-through Jackson State University		
Teacher Quality Enhancement Grants	84.336	<u>6,189</u>
Total Pass-through Jackson State University		<u>6,189</u>
Passed-through Mississippi Department of Education		
Title I Grants to Local Educational Agencies	84.010	<u>16,927,936</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	5,257,123
Special Education - Preschool Grants	84.173	<u>67,593</u>
Total Special Education Cluster		<u>5,324,716</u>
Vocational Education - Basic Grants to States	84.048	421,363
Safe and Drug-free Schools and Communities-State Grants	84.186	285,523
Education for Homeless Children and Youth	84.196	38,589
Teacher Quality Enhancement Grants	84.336	20,753
Education Technology State Grants	84.318	551,766
Comprehensive School Reform Demonstration	84.332	148,112
School Renovation Grants	84.352	134,359
Advance Placement Program	84.330	9,800
Rural Education	84.358	<u>6,693</u>
Total passed-through MDE		<u>23,869,610</u>
Total U.S. Department of Education		<u>25,808,994</u>

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

Federal Grantor/Pass Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>Corporation for National and Community Service</u>		
Direct Program:		
Learn and Serve America-School and Community Based Programs	94.004	\$ <u>17,538</u>
Total Corporation for National and Community Service		17,538
 <u>U. S. Department of Homeland Security</u>		
Passed-Through MS Emergency Management Agency		
State Domestic Preparedness Equipment Support Program	97.004	<u>6,342</u>
Total U. S. Department of Homeland Security		6,342
 <u>U. S. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.XXX	<u>672,793</u>
Total U. S. Department of Defense		672,793
 <u>Federal Communications Commission</u>		
Administered through the Universal Service Administration Company:		
The schools and libraries program of the universal service fund	32.XXX	<u>1,551,918</u>
Total Federal Community Commission		1,551,918
Total for All Federal Awards		<u>\$ 42,646,487</u>

NOTES TO SCHEDULE

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

JACKSON PUBLIC SCHOOL DISTRICT
 Schedule of Instructional, Administrative and Other Expenditures
 Governmental Funds
 For the Year Ended June 30, 2005

<u>Expenditures</u>	<u>Total</u>	<u>Instruction</u>	<u>Administrative</u>	<u>Other</u>
Salaries and fringe benefits	\$ 179,266,775	118,364,195	19,632,370	\$ 41,270,210
Other	<u>123,177,357</u>	<u>10,477,355</u>	<u>2,768,720</u>	<u>109,931,282</u>
Total	<u>\$ 302,444,132</u>	<u>128,841,550</u>	<u>22,401,090</u>	<u>\$ 151,201,492</u>
 Total number of students*	 31,065			
 Cost per student	 \$ 9,736	 4,147	 721	 4,867

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

Instruction - Includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type. (all the 1000 functional codes)

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

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

JACKSON PUBLIC SCHOOL DISTRICT

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

JUNE 30, 2005



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

Superintendent and School Board
Jackson Public School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Jackson Public School District as of and for the year ended June 30, 2005, which collectively comprise the Jackson Public School District's basic financial statements and have issued our report thereon dated June 16, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jackson Public School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the school district's ability to initiate, record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the Schedule of Findings and Questioned Costs as findings 05-1 through 05-4.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described in the findings referred to above, we consider findings 05-1 through 05-3 to be material weaknesses.

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 did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the school district in a separate letter dated June 16, 2006, which is included in this report.

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.

Bank, Fily, White & Co.

June 16, 2006

(except for Note 15, as to which
the date is March 25, 2007)



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

Superintendent and School Board
Jackson Public School District

Compliance

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

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

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

Internal Control Over Compliance

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

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

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

Burns, Finley, White & Co.

June 16, 2006

(except for Note 15, as to which
the date is March 25, 2007)



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

Superintendent and School Board
Jackson Public School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Jackson Public School District as of and for the year ended June 30, 2005, which collectively comprise the Jackson School District's basic financial statements and have issued our report thereon dated June 16, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$22,919 of classroom supply funds carried over from previous years.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our immaterial findings and recommendations and your responses are as follows:

1. Finding

The balance in the unemployment compensation fund was maintained below the required two percent level. This finding was also noted in the 2004 audit.

Recommendation

The district should comply with Section 71-5-359, Miss. Code Ann. (1972), which requires a cash balance of 2% to be maintained of applicable wages in excess of \$6,000, excluding elected officials and part time salaries.

School District's Response

Our interpretation of the unemployment compensation fund requirement was that the calculation was to be done after the end of the year and make necessary accruals after year-end. This is what we did; however, we will make the necessary calculation and adjustment prior to year-end in the future.

2. Finding

The following funds along with the expenditures per fund were not budgeted by the school district.

	<u>FUND NO.</u>	<u>FUND NAME</u>	<u>EXPENDITURES</u>
1	1930	Special Grants	671
2	2080	Technology Literacy	1,233
3	2124	Summer Feeding (State) 2004	96,977,379
4	2125	Summer Food Service 2005	1,333,259
5	2192	JPS Lunch Program Special 93-94	79,549
6	2194	Summer Feeding (City) 2004	58,147
7	2195	Summer Feeding (NW) 2005	63,534
8	2430	EEF Transportation Operation and Maintenance	46,867,370
9	2440	EEF Classroom Supplies & Instructional Material	993,536
10	2560	Lang Instr Lep & Immig Student	30,027
11	2714	Voc Ed III E Tech/Prep FD	51,837
12	2811	Safe & Drug Free Sch & Community	273,835
13	2820	Unemployment Comp Revolving Fund	101,195
14	2840	16th Section Interest	71,272
15	2905	GAP	4,603
16	2907	Columbia Teen Screen program	920
17	2909	Behavioral Modification	1,442
18	2910	(Consist of funds 2821 and 7911)	885,808
19	2950	New Teacher Academy	108,409
20	2864	Gear Up	177,744
21	2965	MS Learning Institute	249,442
22	2969	Alt Ed- Community Service	32,470
23	2990	JPS/JSU Teacher Enhancement Grant	6,189
24	2995	Cares IASA Title I	43,790
25	3019	3M Series B	3,220,292
26	3028	MAEP	13,654
27	3029	MAEP New Construction	68,275
28	4041	MAEP Debt Service Fund	2,825,828
29	4902	Series 2003A Debt Service	1,073,503
30	7192	Lake Memorial Library	43,529

Recommendation

The school district should comply with Section 37-61-9, Miss. Code Ann. (1972), which requires the local school board with the assistance of the superintendent to prepare budgets for each fund.

School District's Response

Monthly reports are submitted and approved by the School board which detail each fund's Anticipated Revenue, Collected Revenue, Uncollected Revenue, Anticipated Expenditures, Year to Date Expenditures and Unexpended funds.

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

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.

Benk, Frily, White & CC.

June 16, 2006

(except for Note 15, as to which
the date is March 25, 2007)

JACKSON PUBLIC SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2005

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | |
|-----|--|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs | Unqualified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Reportable conditions identified that are not considered to be material weaknesses? | No |
| 6. | Any audit findings reported as required by Section __.510(a) of Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| | a. Cluster: Child Nutrition
CFDA #10.553
CFDA #10.555
CFDA #10.559 | |
| | b. CFDA #84.010, Title I Grants to Local Educational Agencies | |
| | c. Special education cluster
CFDA #84.027
CFDA #84.173 | |
| | d. CFDA #32.XXX, The schools and libraries program of the universal service fund. | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$1,279,395 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit findings and questioned cost relative to federal awards which would require auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No |

JACKSON PUBLIC SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

Section 2: Findings Relating to the Financial Statements

Material Weaknesses

05-01 Finding

During our review of the school district's investments we noted the following:

- A. The activities of some investments maintained by third parties were not recorded in the accounting records.
- B. Some monthly, quarterly or annual investment reports were not being delivered to the accounting personnel responsible for recording the transactions.
- C. In some instances, deductions were made from the investment accounts per books that were not actually disbursed from the investment account.
- D. The balance for some investment accounts carried on the books were closed-out in prior years.

Recommendation

The district should implement policies and procedures to ensure that all investments are properly recorded in the accounting records.

05-2 Finding

During our audit of the Jackson Public School District, we noted that although bank reconciliation's were being done, the reconciling items were not always recorded timely. Good internal control and management practices dictate that transactions are recorded accurately and timely. The District indicated that the position responsible for the reconciliation was vacant for a period of time which caused them to get behind. If the bank reconciliation's are not prepared and the necessary reconciling items recorded or reported to the bank in a timely manner, errors could occur and not be detected. Also, the bank would not be liable for any mistakes not reported within sixty days of the date of the bank statement.

Recommendation

We recommend the Jackson Public School District implement procedures to ensure bank reconciliation's are prepared timely and necessary reconciling items are recorded.

05-3 Finding

The school district is not recording the activities of its Qualified Zone Academy Bonds Payables in accordance with the procedures outlined in the Financial Accounting Manual for Mississippi Public School Districts.

JACKSON PUBLIC SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

Recommendation

The district should adopt procedures to ensure that the activities of its Qualified Zone Academy Bonds Payables are recorded in accordance with the procedures outlined in the Financial Accounting Manual for Mississippi Public School Districts.

05-4 Finding

During our test of the student activity fund cash receipts, we found out of a sample of forty (40) transactions, that eighteen (18) cash receipts were not deposited in a timely manner. The lag time from the time the funds were receipted to the time the funds were deposited in the bank ranged from 6 days to 29 days.

Recommendation

The District should adopt administrative control procedures to ensure that all deposits are made on a daily basis to protect the district's assets from loss due to theft.

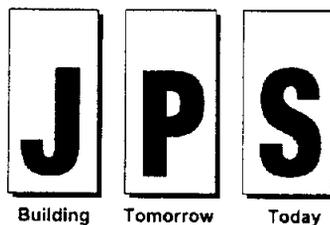
JACKSON PUBLIC SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2005

Section 3: Federal Award Findings and Questioned Costs

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

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section ____, 315(c) of OMB Circular A-133, the Jackson Public School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2005:



CORRECTIVE ACTION PLAN

June 16, 2006

Office of the State Auditor
Post Office Box 956
Jackson, Mississippi 39205

The Jackson Public School District respectfully submits the following corrective action plan for the year ended June 30, 2005.

The findings from the Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section 1: Summary of Auditor's Results, does not include findings and is not addressed.

SECTION 2: FINANCIAL STATEMENT FINDINGS

2005-1 *Corrective Action Planned:*

We have implement procedures to ensure that investments are properly recorded, processed, summarized, and reported in the accounting records.

Anticipated Completion Date:

December 31, 2005

Name of Contact Person Responsible for Corrective Action:

David Setzer, Director of Finance; phone (601) 960-8787

2005-2 *Corrective Action Planned:*

At the beginning of the fiscal year, the District concurs that the reconciliations were not reconciled timely because of year-end processing. As of September 2004, the District reconciled approximately one hundred eighteen (118) bank statements between twenty-five (25) and forty-five (45) days of the bank statement date. The District has implemented procedures in the 2005-06 fiscal year to ensure bank reconciliations are reconciled by the end of the month. Also, the District has addressed the problem of recording reconciling items in a timely manner and made some major improvements in that area.

Anticipated Completion Date:

December 31, 2005

Name of Contact Person Responsible for Corrective Action:

David Setzer, Director of Finance; phone (601) 960-8787

2005-3 *Corrective Action Planned:*

Procedures have been be put in place to ensure that activities of our Qualified Zone Academy Bonds Payable are recorded in accordance with procedures outlined in the Financial Accounting Manual for Mississippi Public School Districts.

Anticipated Completion Date:

December 31, 2005

Name of Contact Person Responsible for Corrective Action:

David Setzer, Director of Finance; phone (601) 960-8787

2005-4 *Corrective Action Planned:*

Procedures will be put in place to ensure that activity fund deposits are made on a daily basis in accordance with procedures outlined in the Financial Accounting Manual for Mississippi Public School Districts.

Anticipated Completion Date:

December 31, 2006

Name of Contact Person Responsible for Corrective Action:

David Setzer, Director of Finance; phone (601) 960-8787

Sincerely yours,



Michael Thomas

Deputy Superintendent of Operations

JACKSON PUBLIC SCHOOL DISTRICT
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

As required by Section __.315(b) of OMB Circular A-133, the JACKSON PUBLIC School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2004:

Finding	Status
04-1	Corrective action not taken
04-2	Corrective action not taken
04-3	Corrective action not taken