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Jackson Public School District
Audited Financial Statements
For the Year Ended June 30, 2007

JACKSON PUBLIC SCHOOL DISTRICT

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JACKSON PUBLIC SCHOOL DISTRICT

FINANCIAL AUDIT REPORT



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LYLES AND SINCLAIR

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MARY LYLES, CPA, MPA

INDEPENDENT AUDITOR'S REPORT

TRACEY SINCLAIR, CPA

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, 2007, 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.

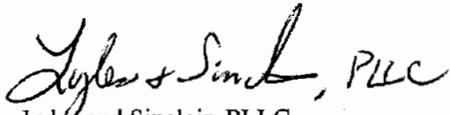
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson Public School District, as of June 30, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2009, on our consideration of the Jackson Public School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages five through thirteen and the Budgetary Comparison Schedule and corresponding notes on pages 38 through 39 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.


Lyles and Sinclair, PLLC

April 30, 2009

JACKSON PUBLIC SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JACKSON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

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, 2007. The intent of this discussion and analysis is to look at the District's performance as a whole; readers should also review the financial statements and the notes to the basic financial statements 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.

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 nearly 31,000 students enrolled, the Jackson Public School District is the second largest and only urban 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 4,921 full-time employees.

FINANCIAL HIGHLIGHTS

- Total net assets decreased \$54,242, which represents 0.1% decrease from fiscal year 2006. This decrease was caused by an increase in the instructional expenditures of the District.
- General revenues account for \$213,074,883 in revenue, or 80.1% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$52,918,533 or 19.9% of total revenues.
- The District had \$266,047,658 in expenses; only \$52,918,533 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$213,074,883 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$202,020,470 in revenues and \$203,364,771 in expenditures. The General Fund's fund balance decreased \$5,209,979 over the prior year.
- Capital assets, net of accumulated depreciation, increased by \$127,801.
- Long-term debt decreased by \$9,113,238.

▪ In mid-July 2006, the Jackson Public School District's Board of Trustees announced plans to pursue a \$150 million bond referendum to improve some of the facilities throughout the district. This decision followed a careful study of the findings reported by MGT of America, a nationally-recognized management and research-consulting firm that specializes in facilities evaluation for schools. The report confirmed in writing what many have known for years - overcrowding that leads to overuse has taken a visible toll on many of the district's aging facilities. In November 2006, the bond referendum passed with over 80% of the vote. This documented overwhelming support for the work needed for our facilities. The District delayed the selling of these bonds until the 2007-2008 fiscal year to allow for comprehensive planning of all the projects covered under the bond referendum.

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 15 and 16 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 18 and 20, respectively, of this report.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts* issued by the Mississippi Department of Education. 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 17 and 19, respectively.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in a separate Statement of Fiduciary Assets and Liabilities on page 21.

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 22 through 36 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. This required supplementary information can be found on pages 38 - 39 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 41 and 44, respectively, of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$37,060,976 as of June 30, 2007.

By far the largest portion of the District's net assets (67.8%) 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, 2007 and 2006, respectively.

	<u>Net Assets</u>		<u>Percentage</u>
	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>Change</u>
Current assets	\$ 39,159,965	\$ 47,005,795	(16.7%)
Capital assets, net	<u>103,200,711</u>	<u>103,072,910</u>	0.1%
Total assets	<u>142,360,676</u>	<u>150,078,705</u>	(5.1%)
Current liabilities	17,991,867	16,542,416	8.8%
Long-term debt outstanding	<u>87,307,833</u>	<u>96,421,071</u>	(9.5%)
Total liabilities	<u>105,299,700</u>	<u>112,963,487</u>	(6.8%)

Net assets:			
Invested in capital assets, net of related debt	25,119,944	16,047,133	56.5%
Restricted	8,076,225	12,806,639	(36.9%)
Unrestricted	<u>3,864,807</u>	<u>8,261,446</u>	(53.2%)
Total net assets	<u>\$ 37,060,976</u>	<u>\$ 37,115,218</u>	(0.1%)

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 capital assets has reduced current assets and increased current liabilities for the year ending June 30, 2007.

Changes in net assets. The District's total revenues for the fiscal year ended June 20, 2007 were \$265,993,416. The total cost of all programs and services was \$266,047,658. The following table presents a summary of the changes in net assets for the fiscal years ending June 30, 2007 and 2006, respectively.

	<u>Change in Net Assets</u>		<u>Percentage Change</u>
	<u>June 30, 2007</u>	<u>June 30, 2006</u>	
Revenues:			
Program revenues:			
Charges for services	\$ 3,485,884	\$ 3,506,232	(0.6%)
Operating grants and contributions	49,432,649	56,444,359	(12.4%)
Capital grants and contributions	-	-	0.0%
General revenues:			
Property taxes	78,682,274	79,824,777	(1.4%)
Unrestricted investments earnings	1,281,418	922,703	38.9%
Grants and contributions not restricted	128,977,993	119,472,010	8.0%
Other	<u>4,133,198</u>	<u>4,926,138</u>	(16.1%)
Total revenues	<u>265,993,416</u>	<u>265,096,219</u>	0.3%
Expenses:			
Instruction	146,084,214	149,885,526	(2.5%)
Support services	97,091,528	93,540,845	3.8%
Non-instructional	18,442,557	17,443,013	5.7%
Sixteenth section	121,902	96,932	25.8%
Interest and other expense on long-term liabilities	<u>4,307,457</u>	<u>4,682,337</u>	(8.0%)
Total expenses	<u>266,047,658</u>	<u>265,648,653</u>	0.2%
Increase (Decrease) in net assets	<u>(54,242)</u>	<u>(552,434)</u>	(90.2%)
Net Assets, July 1	37,115,218	37,758,971	(1.7%)
Prior period adjustment	-	(91,319)	(100.0%)
Net Assets, as restated	<u>37,115,218</u>	<u>37,667,652</u>	(1.5%)
Net Assets, June 30	<u>\$37,060,976</u>	<u>\$ 37,115,218</u>	(0.1%)

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

- Operating grants and contributions decreased \$7,011,710 from the previous fiscal year.
- Unrestricted grants and contributions increased \$9,505,983 from the previous fiscal year.
- Instructional expenses decreased \$3,801,312 from the previous fiscal year.
- Support services expenses increased \$3,550,683 from the previous fiscal year.

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, 2007 and 2006, 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.

	2007		2006	
	Total Expenses	Net(Expense) Revenue	Total Expenses	Net(Expense) Revenue
Instruction	\$146,084,214	\$(124,567,765)	\$149,885,526	\$(121,237,271)
Support services	97,091,528	(82,257,699)	93,540,845	(78,580,047)
Non-instructional	18,442,557	(1,911,424)	17,443,013	(1,101,475)
Sixteenth section	121,902	(84,780)	96,932	(96,932)
Interest and other expenses on long-term liabilities	4,307,457	(4,307,457)	4,682,337	(4,682,337)
Total expenses	\$266,047,658	\$(213,129,125)	\$ 265,648,653	\$(205,698,062)

- Net cost of governmental activities (\$213,129,125) was financed by general revenue, which is made up of primarily property taxes (\$78,682,274) and state revenue (\$126,676,103).
- Investment earnings accounted for \$1,281,418 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 \$22,256,942, a decrease of \$9,112,856 due primarily to a reduction in fund balance for capital projects. \$13,742,376 or 61.7% 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 \$8,514,566 or 38.3% 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 decrease in fund balance in the General Fund for the fiscal year was \$5,209,979 and was the result of the District's intentionally drawing down previous years' accumulated fund balance to pay construction related cost associated with the 2006 \$150 million bond referendum while awaiting the sale of the bonds, which took place in October 2007 and July 2008.

BUDGETARY HIGHLIGHTS

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

- Budget amounts for revenue from local, federal, and state sources all increased more than expected during the year. Anticipated federal revenues increased by \$27,583,605. Anticipated state revenues increased by \$4,239,514. Anticipated local revenues increased by \$1,398,505. The increase in these anticipated revenues allowed the District to increase its anticipated expenditures by \$33,013,010.
- In other financing sources, a total of \$1,922,356 was decreased from anticipated inception of capital leases and insurance loss recoveries when it was determined that we would not close on all the anticipated capital leases or suffer all the anticipated insurable losses.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2007, the District's total capital assets were \$191,874,475, including land, school buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$2,393,121 from the previous year. Total accumulated depreciation as of June 30, 2006 was \$88,673,764 and total depreciation expense for the year was \$5,760,153, resulting in total net assets of \$103,200,711.

	<u>Capital Assets, Net of Depreciation</u>		Percentage <u>Change</u>
	<u>2007</u>	<u>2006</u>	
Land	\$ 2,937,842	\$ 2,937,842	0.0%
Buildings	77,407,523	79,496,594	(2.6%)
Improvements other than buildings	9,436,782	9,966,265	(5.3%)
Mobile equipment	3,674,482	4,285,654	(14.3%)
Furniture and equipment	1,922,842	925,183	107.8%
Leased property under capital leases	853,448	1,105,369	(22.8%)
Construction in progress	<u>6,967,792</u>	<u>4,356,003</u>	60.0%
Total	<u>\$103,200,711</u>	<u>\$103,072,910</u>	0.1%

Additional information of the District's capital assets can be found in Note 4 on page 29 of this report.

Debt Administration. At June 30, 2007, the District had \$87,307,833 in general obligation bonds and other long-term debt outstanding, of which \$6,173,019 is due within one year.

	<u>Outstanding Debt</u>		Percentage <u>Change</u>
	<u>2007</u>	<u>2006</u>	
General obligation bonds payable	\$ -	\$ 4,625,000	(100.0%)
Limited obligation bonds payable	25,370,000	26,520,000	(4.3%)
Three mill notes payable	47,746,688	50,366,688	(5.2%)
Obligations under capital leases	2,464,079	3,014,089	(18.2%)
Obligations under energy efficiency leases	7,226,937	7,693,782	(6.1%)
Qualified zone academy bonds payable	2,500,000	2,500,000	0.0%
Compensated absences payable	<u>2,000,129</u>	<u>1,701,512</u>	17.6%
Total	<u>\$ 87,307,833</u>	<u>\$ 96,421,071</u>	(9.5%)

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 5 on page 30 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 decreased 1.33% 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

FINANCIAL STATEMENTS

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

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 16,372,195
Cash with fiscal agents	5,005,461
Due from other governments	9,494,562
Other receivables, net	7,047,433
Inventories	977,185
Restricted assets	263,129
Capital assets, non-depreciable:	
Land	2,937,842
Construction in progress	6,967,792
Capital assets, net of accumulated depreciation:	
Buildings	77,407,523
Improvements other than buildings	9,436,782
Mobile equipment	3,674,482
Furniture and equipment	1,922,842
Leased property under capital leases	853,448
Total Assets	<u>142,360,676</u>
Liabilities	
Accounts payable and accrued liabilities	16,665,550
Unearned revenue	237,473
Interest payable on long-term liabilities	1,088,844
Long-term liabilities, due within one year	
Capital related liabilities	5,544,983
Non-capital related liabilities	628,036
Long-term liabilities, due beyond one year	
Capital related liabilities	72,535,784
Non-capital related liabilities	8,599,030
Total Liabilities	<u>105,299,700</u>
Net Assets	
Invested in capital assets, net of related debt	25,119,944
Restricted net assets:	
Expendable:	
School-based activities	1,607,189
Debt service	3,782,068
Capital improvements	1,670,510
Forestry improvements	54,192
Unemployment benefits	699,137
Non-expendable:	
Sixteenth section	263,129
Unrestricted	3,864,807
Total Net Assets	<u>\$ 37,060,976</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, 2007

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities:					
Instruction	\$ 146,084,214	1,450,838	20,065,611		(124,567,765)
Support services	97,091,528		14,833,829		(82,257,699)
Non-instructional	18,442,557	1,997,924	14,533,209		(1,911,424)
Sixteenth section	121,902	37,122			(84,780)
Interest on long-term liabilities	4,307,457				(4,307,457)
Total Governmental Activities	\$ 266,047,658	3,485,884	49,432,649	0	(213,129,125)

General Revenues:

Taxes:

General purpose levies	71,876,244
Debt purpose levies	6,806,030

Unrestricted grants and contributions:

State	126,676,103
Federal	2,301,890
Unrestricted investment earnings	1,281,418
Sixteenth section sources	1,424,338
Other	2,708,860
Total General Revenues	213,074,883

Change in Net Assets (54,242)

Net Assets - Beginning 37,115,218

Net Assets - Ending \$ 37,060,976

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

JACKSON PUBLIC SCHOOL DISTRICT
 Balance Sheet - Governmental Funds
 June 30, 2007

Exhibit C

	Major Funds				
	General Fund	School Bond Referendum Fund	2003B Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 4,287,921		86,853	12,260,550	16,635,324
Cash with fiscal agents	2,869,780			2,135,681	5,005,461
Due from other governments	5,347,252		162,147	3,985,163	9,494,562
Other receivables, net	196,903	4,917,563		350,174	5,464,640
Due from other funds	14,905,863			1,850,620	16,756,483
Inventories	585,252			391,933	977,185
Total Assets	\$ 28,192,971	4,917,563	249,000	20,974,121	54,333,655
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 10,693,819	3,211,358		2,736,483	16,641,660
Due to other funds	3,801,528	1,706,205	249,000	9,416,957	15,173,690
Unearned revenue				237,473	237,473
Other payables				23,890	23,890
Total Liabilities	14,495,347	4,917,563	249,000	12,414,803	32,076,713
Fund Balances:					
Reserved for:					
Inventory	585,252			391,933	977,185
Capital projects				1,670,510	1,670,510
Debt service				4,850,413	4,850,413
Unemployment benefits				699,137	699,137
Forestry improvement purposes				54,192	54,192
Permanent fund purposes				263,129	263,129
Unreserved:					
Undesignated, reported in:					
General Fund	13,112,372				13,112,372
Special Revenue Funds				630,004	630,004
Total Fund Balances	13,697,624			8,559,318	22,256,942
Total Liabilities and Fund Balances	\$ 28,192,971	4,917,563	249,000	20,974,121	54,333,655

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

JACKSON PUBLIC SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2007

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 22,256,942
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$88,673,764.	103,200,711
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(87,307,833)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	(1,088,844)
Total Net Assets - Governmental Activities	\$ <u>37,060,976</u>

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

JACKSON PUBLIC SCHOOL DISTRICT

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2007

	Major Funds			Other	Total
	General Fund	School Bond Referendum Fund	2003B Debt Service Fund	Governmental Funds	Governmental Funds
Revenues:					
Local sources	\$ 76,858,245		298,039	8,964,773	86,121,057
State sources	122,775,935			8,131,022	130,906,957
Federal sources	2,386,290			45,117,398	47,503,688
Sixteenth section sources				1,461,459	1,461,459
Total Revenues	202,020,470	0	298,039	63,674,652	265,993,161
Expenditures:					
Instruction	117,560,316			25,476,267	143,036,583
Support services	81,863,338			16,281,505	98,144,843
Noninstructional services	62,316			16,999,697	17,062,013
Sixteenth section				121,902	121,902
Facilities acquisition and construction	1,332,777	4,917,563		2,354,854	8,605,194
Debt service:					
Principal	1,451,855		160,000	8,235,000	9,846,855
Interest	1,094,169		138,039	2,892,824	4,125,032
Total Expenditures	203,364,771	4,917,563	298,039	72,362,049	280,942,422
Excess (Deficiency) of Revenues over Expenditures	(1,344,301)	(4,917,563)		(8,687,397)	(14,949,261)
Other Financing Sources (Uses):					
Inception of capital leases	435,000				435,000
Insurance loss recoveries	94,075				94,075
Sale of other property				255	255
Payment held by escrow agent				142,000	142,000
Operating transfers in	3,940,886			8,434,447	12,375,333
Other financing sources		4,917,563		348,290	5,265,853
Operating transfers out	(8,434,447)			(3,940,886)	(12,375,333)
Payment to Qualified Zone Academy Debt Escrow Agent				(142,000)	(142,000)
Other financing uses				(35,034)	(35,034)
Total Other Financing Sources (Uses)	(3,964,486)	4,917,563	0	4,807,072	5,760,149
Net Change in Fund Balances	(5,308,787)	0	0	(3,880,325)	(9,189,112)
Fund Balances:					
July 1, 2006	18,907,603	0	0	12,462,195	31,369,798
Increase (Decrease) in reserve for inventory	98,808			(22,552)	76,256
June 30, 2007	\$ 13,697,624	0	0	8,559,318	22,256,942

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

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

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ (9,189,112)
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 \$5,975,107 and the depreciation expense amounted to \$5,760,153.	214,954
2. Proceeds of long-term liabilities is reported as an expenditure in the governmental funds, but not in the Statement of Activities.	(435,000)
3. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.	9,846,855
4. Governmental 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.	(182,425)
5. Gains and losses on the sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(87,153)
6. Increase (decrease) in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are (decreased) increased in the Statement of Activities.	76,256
7. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated absences	(298,617)
Change in Net Assets of Governmental Activities	\$ <u><u>(54,242)</u></u>

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

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

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 6,328,268
Investments	
Other receivables	45,762
Due from other funds	2,968,989
Due from other governments	
	<hr/>
Total Assets	\$ <u><u>9,343,019</u></u>
Liabilities	
Accounts payable and accrued liabilities	\$ 4,340,045
Due to other governments	
Due to other funds	4,551,782
Due to student clubs	451,192
	<hr/>
Total Liabilities	\$ <u><u>9,343,019</u></u>

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

JACKSON PUBLIC SCHOOL DISTRICT

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

1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. As defined by accounting principles generally accepted in the United States of America, the school district is considered 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 statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the 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. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

C. Measurement Focus and Basis of Accounting.

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting as are the

JACKSON PUBLIC SCHOOL DISTRICT

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

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.

School Bond Referendum Fund - This is the school district's fund used to account for the capital expenditures for building construction, renovations and classroom additions proposed under the bond issue.

2003B Debt Service Fund - This is the school district's fund used to account for the accumulation of resources for, and the payment of, debt principal, interest and related costs for the 2003B Limited Tax Notes.

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.

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.

JACKSON PUBLIC SCHOOL DISTRICT

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

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, 2003* issued by the U.S. Department of Education.

E. Encumbrances.

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

F. Cash and Cash Equivalents.

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

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

G. Investments.

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

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

Investments are reported at fair value.

H. Inventories and Prepaid Items.

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

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

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

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

JACKSON PUBLIC SCHOOL DISTRICT

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

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	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

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

J. Long-term Liabilities.

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

K. Interfund Transactions and Balances.

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

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

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 3 for details for interfund transactions, including receivables and payables at year-end.

JACKSON PUBLIC SCHOOL DISTRICT

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

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 borrowing that are attributable to the acquisition, construction 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.

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.

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

M. Property Taxes.

Ad valorem property taxes are levied by the governing authority of the 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

JACKSON PUBLIC SCHOOL DISTRICT

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

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.

(2) Cash and Cash Equivalents and Cash with Fiscal Agents.

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

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$16,635,324 and \$6,328,268, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents- \$16,372,195 and restricted assets - \$263,129. The restricted assets represent the cash balance of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$27,825,614.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2007, none of the district's bank balance of \$27,825,614 was exposed to custodial credit risk.

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$5,005,461.

JACKSON PUBLIC SCHOOL DISTRICT

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

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds.

	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
General Fund	\$ 14,905,863	3,801,528
School Bond Referendum Fund		1,706,205
2003B Debt Service Fund		249,000
Other governmental funds	<u>1,850,620</u>	<u>9,416,957</u>
Total	<u>16,756,483</u>	<u>15,173,690</u>
 Fiduciary Funds	 <u>2,968,989</u>	 <u>4,551,782</u>
 Total	 <u>\$ 19,725,472</u>	 <u>19,725,472</u>

The interfund loans were made mainly to cover the initial payments of reimbursable expenditures of federal programs and to eliminate deficit cash balances.

B. Transfers In/Out.

	<u>Transfer In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 3,940,886	8,434,447
Other governmental funds	<u>8,434,447</u>	<u>3,940,886</u>
 Total	 <u>\$ 12,375,333</u>	 <u>12,375,333</u>

The transfers were mainly to fund daily operations and routine activities of funds other than district maintenance and to transfer amounts for indirect costs.

JACKSON PUBLIC SCHOOL DISTRICT

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

(4) Capital Assets.

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

	Balance 7-1-2006	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2007
<u>Non-depreciable capital assets:</u>						
Land	\$ 2,937,842					2,937,842
Construction in progress	4,356,003	3,004,885		(393,096)		6,967,792
Total non-depreciable capital assets	7,293,845	3,004,885	0	(393,096)	0	9,905,634
<u>Depreciable capital assets:</u>						
Buildings	126,787,441					126,787,441
Improvements other than buildings	23,406,234		45,660	393,096		23,753,670
Mobile equipment	17,246,356	613,082				17,859,438
Furniture and equipment	12,884,796	1,922,140	3,536,326			11,270,610
Leased property under capital leases	1,862,682	435,000				2,297,682
Total depreciable capital Assets	182,187,509	2,970,222	3,581,986	393,096	0	181,968,841
<u>Less accumulated depreciation for:</u>						
Buildings	47,290,847	2,089,071				49,379,918
Improvements other than buildings	13,439,969	906,804	29,885			14,316,888
Mobile equipment	12,960,702	1,224,254				14,184,956
Furniture and equipment	11,959,613	853,103	3,464,948			9,347,768
Leased property under capital leases	757,313	686,921				1,444,234
Total accumulated depreciation	86,408,444	5,760,153	3,494,833	0	0	88,673,764
Total depreciable capital assets, net	95,779,065	(2,789,931)	87,153	393,096	0	93,295,077
Governmental activities capital assets, net	\$ 103,072,910	214,954	87,153	0	0	103,200,711

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 4,219,341
Support services	1,494,330
Non-instructional	46,482
Total Depreciation Expense	\$ 5,760,153

JACKSON PUBLIC SCHOOL DISTRICT

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

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.

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

	<u>Remaining Commitment</u>	<u>Required Future Financing</u>
Classroom additions – Boyd	\$ 28,882	
HVAC		
Lanier	2,617,484	
Timberlawn	286,076	
Casey	<u>127,438</u>	
Total	<u>\$ 3,059,880</u>	<u>0</u>

(5) Long-term Liabilities.

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

	<u>Balance 7-1-2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Balance 6-30-2007</u>	<u>Amounts due within one year</u>
A. General obligation bonds payable	\$ 4,625,000		4,625,000		0	
B. Limited obligation bonds payable	26,520,000		1,150,000		25,370,000	1,825,000
C. Three mill notes payable	50,366,688		2,620,000		47,746,688	2,635,000
D. Obligations under capital leases	3,014,089	435,000	985,010		2,464,079	1,084,983
E. Obligations under energy efficiency lease	7,693,782		466,845		7,226,937	505,570
F. Qualified zone academy bonds payable	2,500,000				2,500,000	
G. Compensated absences payable	<u>1,701,512</u>	<u>298,617</u>			<u>2,000,129</u>	<u>122,466</u>
Total	<u>\$ 96,421,071</u>	<u>733,617</u>	<u>9,846,855</u>	<u>0</u>	<u>87,307,833</u>	<u>6,173,019</u>

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 refunding bonds, Series 2006	4.25-6.0	02-22-2006	02-01-2018	\$ 26,520,000	25,370,000
Total				<u>\$ 26,520,000</u>	<u>25,370,000</u>

JACKSON PUBLIC SCHOOL DISTRICT

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

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

Year Ending June 30	Principal	Interest	Total
2008	\$ 1,825,000	990,752	2,815,752
2009	1,870,000	916,853	2,786,853
2010	1,940,000	847,927	2,787,927
2011	2,010,000	783,238	2,793,238
2012	2,090,000	714,804	2,804,804
2013 - 2017	11,745,000	2,212,122	13,957,122
2018	3,890,000	117,200	4,007,200
Total	\$ 25,370,000	6,582,896	31,952,896

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.

C. Three mill notes payable.

The District issued limited tax notes to acquire, improve, renovate, construct, repair, heat, cool and equip school buildings and related facilities. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Notes Series 2000-A	4.35 - 4.8	09-01-2000	10-01-2010	\$ 3,000,000	675,000
Limited Tax Notes Series 2000-B	4.35 - 5.375	09-01-2000	10-01-2020	\$ 32,205,000	4,800,000
Limited Tax Notes Series 2003-A	4.35-5.375	10-01-2003	10-01-2008	\$ 4,615,000	1,700,000
Limited Tax Notes Series 2003-B	4.35-5.375	10-01-2003	10-01-2023	\$ 16,381,688	15,671,688
Limited Tax Notes Series 2005	2.45-5.0	05-02-2005	10-02-2020	\$ 25,220,000	24,900,000
Total				81,421,688	47,746,688

JACKSON PUBLIC SCHOOL DISTRICT

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

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

Year Ending June 30	Principal	Interest	Total
2008	\$ 2,635,000	3,047,913	5,682,913
2009	2,715,000	2,950,785	5,665,785
2010	2,770,000	2,810,384	5,580,384
2011	2,865,000	2,705,357	5,570,357
2012	2,985,000	1,294,138	4,279,138
2013 - 2017	13,867,814	5,472,179	19,339,993
2018 - 2022	13,982,447	6,313,729	20,296,176
2023 - 2024	5,926,427	5,483,572	11,409,999
Total	\$ <u>47,746,688</u>	<u>30,078,057</u>	<u>77,824,745</u>

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

D. Obligations under capital leases.

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

1. Digital video servers
2. Computers, radios, and video servers
3. Graphic arts equipment

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.
3. 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.

JACKSON PUBLIC SCHOOL DISTRICT

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

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2008	\$ 1,084,983	69,094	1,154,077
2009	834,220	34,885	869,105
2010	319,864	11,467	331,331
2011	73,283	5,243	78,526
2012	74,991	3,535	78,526
2013 - 2017	76,738	1,788	78,526
Total	\$ <u>2,464,079</u>	<u>126,012</u>	<u>2,590,091</u>

This debt will be retired from the District Maintenance Fund.

E. Obligation 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 and Maintenance Charges	Total
2008	\$ 505,570	379,427	884,997
2009	546,612	351,357	897,969
2010	590,099	321,025	911,124
2011	636,170	288,298	924,468
2012	684,971	253,033	938,004
2013 - 2017	4,263,515	636,376	4,899,891
Total	\$ <u>7,226,937</u>	<u>2,229,516</u>	<u>9,456,453</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 ten (10) years.

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.

The debt will be retired from District Maintenance Fund.

JACKSON PUBLIC SCHOOL DISTRICT

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

F. Qualified zone academy bonds payable.

As more fully explained in Note 13, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified Zone Academy bonds	0%	07-20-2000	07-01-2012	\$ 2,500,000	2,500,000
Total				\$ 2,500,000	2,500,000

This debt will be retired from the QZAB Debt Service 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.

(6) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The rate for fiscal year ended June 30, 2007, was 11.30% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2007, 2006 and 2005 were \$17,275,853, \$14,987,113 and \$13,543,392, respectively, which equaled the required contributions for each year.

(7) Other Commitments.

Commitments under construction contracts are described in Note 4.

Commitments under re-roofing and renovation contracts amount to \$2,840,087.

(8) Sixteenth Section Lands.

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

JACKSON PUBLIC SCHOOL DISTRICT

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

Year Ending June 30	Amount
2008	\$ 1,165,225
2009	1,133,725
2010	1,111,395
2011	1,088,075
2012	776,540
2013 - 2017	3,332,900
2018 - 2022	2,980,565
2023 - 2027	2,914,100
2028 - 2032	2,231,908
Thereafter	<u>2,672,842</u>
Total	\$ <u>19,407,275</u>

(9) Short-term Financing.

During the fiscal year ended June 30, 2007, the school district participated in the following short-term financings:

Changes in short-term debt activity recorded in the governmental activities during fiscal year 2007 are as follows:

Description	Balance 7-1-2006	Additions	Reductions	Balance 6-30-2007
Tax Anticipation Note	\$ 0	20,000,000	20,000,000	0
Total	\$ <u>0</u>	<u>20,000,000</u>	<u>20,000,000</u>	<u>0</u>

A tax anticipation note was executed by and between the district and Trustmark National Bank to provide funds to pay for current operations in the district's general maintenance fund in accordance with Section 37-59-37, Miss. Code Ann. (1972).

(10) 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.

(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

JACKSON PUBLIC SCHOOL DISTRICT

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

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

(12) Prior Year Defeasance of Debt.

In prior years, the Jackson Public School District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the district's financial statements. On June 30, 2007, \$24,535,000 outstanding bonds (including prior years' refundings) is considered defeased.

(13) 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.

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.

Year Ending		Amount
June 30		
2008	\$	142,000
2009		142,000
2010		142,000
2011		142,000
2012		142,000
2013		120,000
Total	\$	830,000

(14) Subsequent Events.

Subsequent to June 30, 2007, the district issued the following debt obligation(s):

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
10/07	4-5%	\$ 36,000,000	Bond Issue	Ad valorem taxes
07/08	4-5.5%	\$ 114,000,000	Bond Issue	Ad valorem taxes

JACKSON PUBLIC SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

JACKSON PUBLIC SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2006

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 75,256,473	76,623,719	76,858,245	1,367,246	234,526
State sources	124,003,484	126,445,611	122,775,935	2,442,127	(3,669,676)
Federal sources	820,000	1,826,236	2,386,290	1,006,236	560,054
Total Revenues	<u>200,079,957</u>	<u>204,895,566</u>	<u>202,020,470</u>	<u>4,815,609</u>	<u>(2,875,096)</u>
Expenditures:					
Instruction	116,281,396	117,679,912	117,560,316	(1,398,516)	119,596
Support services	82,064,661	84,156,448	81,863,338	(2,091,787)	2,293,110
Noninstructional services	133,903	172,068	62,316	(38,165)	109,752
Facilities acquisition and construction	2,282,792	2,295,370	1,332,777	(12,578)	962,593
Debt service:					
Principal	22,089,760	22,089,760	1,451,855	0	20,637,905
Interest	153,000	168,506	1,094,169	(15,506)	(925,663)
Total Expenditures	<u>223,005,512</u>	<u>226,562,064</u>	<u>203,364,771</u>	<u>(3,556,552)</u>	<u>23,197,293</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(22,925,555)</u>	<u>(21,666,498)</u>	<u>(1,344,301)</u>	<u>1,259,057</u>	<u>20,322,197</u>
Other Financing Sources (Uses):					
Proceeds of loans	20,000,000	20,000,000		0	(20,000,000)
Inception of capital leases	1,500,000	565,614	435,000	(934,386)	(130,614)
Insurance loss recoveries	5,000	5,000	94,075	0	89,075
Sale of transportation equipment	60,000	60,000		0	(60,000)
Operating transfers in	9,653,162	4,307,620	3,940,886	(5,345,542)	(366,734)
Operating transfers out	(10,468,367)	(7,890,034)	(8,434,447)	2,578,333	(544,413)
Total Other Financing Sources (Uses)	<u>20,749,795</u>	<u>17,048,200</u>	<u>(3,964,486)</u>	<u>(3,701,595)</u>	<u>(21,012,686)</u>
Net Change in Fund Balances	<u>(2,175,760)</u>	<u>(4,618,298)</u>	<u>(5,308,787)</u>	<u>(2,442,538)</u>	<u>(690,489)</u>
Fund Balances:					
July 1, 2006	20,180,916	20,180,916	18,907,603	0	(1,273,313)
Increase (Decrease) in reserve for inventory			98,808	0	98,808
June 30, 2007	<u>\$ 18,005,156</u>	<u>15,562,618</u>	<u>13,697,624</u>	<u>(2,442,538)</u>	<u>(1,864,994)</u>

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

JACKSON PUBLIC SCHOOL DISTRICT

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

(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 October 15. 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

JACKSON PUBLIC SCHOOL DISTRICT
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2007

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Non-cash assistance:		
Food donation	10.550	893,217
Child nutrition cluster:		
School breakfast program	10.553	3,096,912
National school lunch program	10.555	9,789,182
Special milk program for children	10.556	296,711
Passed-through City of Jackson:		
Summer food service program for children	10.559	75,158
Total child nutrition cluster		13,257,963
Fresh fruit and vegetables program	10.582	13,329
Total U.S. Department of Agriculture		14,164,509
<u>U.S. Department of Defense</u>		
Direct program(s):		
Reserve Officers' Training Corps	12.XXX	618,001
Total U.S. Department of Defense		618,001
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	1,945,168
Total Federal Communications Commission		1,945,168
<u>National Aeronautics and Space Administration</u>		
Passed-through Stennis Space Center:		
Aerospace education services program	43.001	22,500
Total National Aeronautics and Space Administration		22,500

National Science Foundation

Direct programs:

Education and human resources	47.076	622,515
Total National Science Foundation		<u>622,515</u>

U.S. Department of Education

Direct programs:

Fund for the improvement of education	84.215	714,977
Advanced placement program	84.330	139,460
Total		<u>854,437</u>

Passed-through Mississippi Board for Community and Junior Colleges:

Adult education -state grant program	84.002	422,593
Total		<u>422,593</u>

Passed-through Mississippi Department of Education:

Title I grants to local educational agencies	84.010	16,978,292
Vocational education - basic grants to states	84.048	380,325
Safe and drug-free schools and communities - national programs	84.184	70,675
Safe and drug-free schools and communities - state grants	84.186	286,921
Education for homeless children and youth	84.196	121,910
Twenty-first century community learning centers	84.287	377,304
State grants for innovative programs	84.298	85,852
Education technology state grants	84.318	448,719
Comprehensive school reform demonstration	84.332	125,240
Teacher quality enhancement grants	84.336	1,340
Transition to teaching	84.350	1,360
English language acquisition grants	84.365	28,977
Grants for state assessments and related activities	84.369	170,574
Hurricane education recovery	84.938	77,202
Total		<u>19,154,691</u>

Special education cluster:

Special education - grants to states	84.027	8,539,897
Special education - preschool grants	84.173	192,923
Total special education cluster		<u>8,732,820</u>

Total passed-through Mississippi Department of Education		<u>27,887,511</u>
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Total U.S. Department of Education 29,164,541

U.S. Department of Health and Human Services

Direct program:

Specially selected health projects 93,888 552,976

Total U.S. Department of Health and Human Services 552,976

U.S. Department of Homeland Security

Passed-through Mississippi Emergency Management Agency:

Homeland security grant program 97,067 813,470

Total Department of Homeland Security 813,470

Corporation for National and Community Service

Passed-through the Mississippi Department of Education:

Learn and serve America - school and community based programs 94,004 9,575

Total Corporation for National and Community Service 9,575

Total for All Federal Awards \$ 47,913,255

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, 2007

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 211,345,034	152,927,904	7,868,058	15,190,467	35,358,605
Other	<u>69,597,388</u>	<u>16,724,133</u>	<u>3,033,691</u>	<u>259,372</u>	<u>49,580,192</u>
Total	<u>\$ 280,942,422</u>	<u>169,652,037</u>	<u>10,901,749</u>	<u>15,449,839</u>	<u>84,938,797</u>
Total number of students *		31,191			
Cost per student \$		9,007	5,439	350	495
					2,723

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

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

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

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

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

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

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

JACKSON PUBLIC SCHOOL DISTRICT

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE



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MARY LYLES, CPA, MPA

TRACEY SINCLAIR, CPA

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

Superintendent and 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 Jackson Public School District as of and for the year ended June 30, 2007, which collectively comprise Jackson Public School District's basic financial statements and have issued our report thereon dated April 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2007-1 to be a significant deficiency in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also

considered to be material weaknesses. However, we consider the significant deficiency described above in Finding 2007-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests 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 April 30, 2009, which is included in this report.

We also noted certain other matters that we reported to management of Jackson Public School District in a separate letter dated April 30, 2009.

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

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


Lyles and Sinclair, PLLC

April 30, 2009



LYLES AND SINCLAIR

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MARY LYLES, CPA, MPA

TRACEY SINCLAIR, CPA

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

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, 2007. The school district's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, Jackson 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, 2007.

Internal Control Over Compliance

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

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

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

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

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

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


Lyles and Sinclair, PLLC

April 30, 2009

JACKSON PUBLIC SCHOOL DISTRICT

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



LYLES AND SINCLAIR

(601) 981-5707

CERTIFIED PUBLIC ACCOUNTANTS

P. O. BOX 11625 • JACKSON, MISSISSIPPI 39283-1625

MARY LYLES, CPA, MPA

TRACEY SINCLAIR, CPA

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, 2007, which collectively comprise Jackson Public School District's basic financial statements and have issued our report thereon dated April 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

Finding

An effective system of internal control dictates that deposits are made at least weekly. The consultant responsible for making the deposits for the district failed to make them timely. This appears to have been made by human oversight. The untimely deposits may cause income to be misstated.

Recommendation

We recommend the district emphasize the importance of timely deposits to the consultant.

School District's Response

We have instructed the consultant to be diligent in making timely deposits. We will review the deposits each month to ensure that this is occurring.

Finding

Our tests on the reemployment of retirees disclosed four instances where the retiree earned more than the amount allowed. Also, not all Forms B were filed timely with the Public Employees Retirement System. Section 25-11-127, Miss. Code Ann. (1972) requires Form B to be filed within five days of reemployment and sets the amount the retiree may earn. This appears to have been caused by human error and results in noncompliance with state law.

Recommendation

We recommend the district implement controls to ensure compliance with state law.

School District's Response

While reviewing this finding, we discovered that there were instances where the Form 4B was improperly prepared giving the appearance that the employee earned more than allowed by state law when they really did not earn more they were allowed to earn. Those incorrectly prepared forms will be corrected and returned to the Public Employees Retirement System. The District personnel responsible for preparing the Form 4B will be re-trained to accurately complete the form. In addition, the earnings of retirees will be monitored monthly to ensure compliance with state law.

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.

The Jackson Public School District's responses to the findings included in this report were not audited and, accordingly, we express no opinion them.

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.


Lyles and Sinclair, PLLC

April 30, 2009

JACKSON PUBLIC SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JACKSON PUBLIC SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Material noncompliance relating to the financial statements? | No |
| 3. | Internal control over financial reporting: | |
| a. | Material weakness(es) identified? | Yes |
| b. | Significant deficiency(ies) identified that are not considered to be material weaknesses? | None Reported |

Federal Awards:

- | | | |
|-----|--|---------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| a. | Material weakness(es) identified? | No |
| b. | Significant deficiency(ies) identified that are not considered to be material weaknesses? | None Reported |
| 6. | Any audit finding(s) reported as required by Section __.510(a) of Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| a. | Title I Grants to Local Educational Agencies
CFDA # 84.010 | |
| b. | Special Education Cluster
CFDA # 84.027
CFDA # 84.173 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$1,437,398 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | Yes |

Section 2: Financial Statement Findings

Material Weakness

2007-1. Finding

The district did not prepare its notes to the financial statements. An effective system of internal control over financial reporting should ensure that personnel are capable of preparing notes to the financial statements in accordance with generally accepted accounting principles and possess the necessary accounting expertise to prevent, detect and correct a potential misstatement in the notes. For the current

JACKSON PUBLIC SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

fiscal year, the district chose to have the auditor to prepare the notes to the financial statements. Without adequate controls in place, the risk of inadequate information being reported increases.

Recommendation

We recommend the district implement controls to ensure that personnel prepare and review notes to the financial statements in accordance with generally accepted accounting principles.

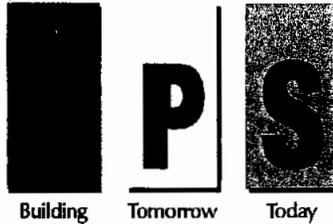
Section 3: Federal Award Findings and Questioned Costs

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

JACKSON PUBLIC SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

Michael Thomas
Deputy Superintendent for Operations



Phone 601-973-8522
Facsimile 601-973-8568
Email mithomas@jackson.k12.ms.us
www.jackson.k12.ms.us

CORRECTIVE ACTION PLAN

Office of the State Auditor
P.O. Box 956
Jackson, Mississippi 39205

Gentlemen:

The Jackson Public School District respectfully submits the following corrective action plan for the year ended June 30, 2007.

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

2007-1 Corrective Action Planned:

Management determined that in interest of time due to the workload of the accounting department, we asked the auditors to draft the notes to the financial statements as they had in the past. Beginning with the June 30, 2008 audit, the District will draft our own notes to the financial statements.

Anticipated Completion Date:

For the fiscal year ending June 30, 2008

Name of Contact Person Responsible for Corrective Action:

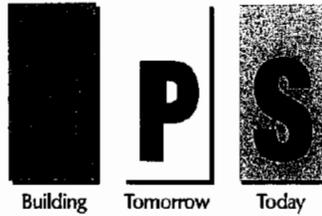
David Setzer, Director of Finance

Sincerely yours,

Michael Thomas
Deputy Superintendent of Operations
(601) 960-8801

JACKSON PUBLIC SCHOOL DISTRICT

SUMMARY OF PRIOR AUDIT FINDINGS



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2007

Lyles & Sinclair, PLLC
Post Office Box 11625
Jackson, Mississippi 39283

Gentlemen:

The Jackson Public School District respectfully submits the following summary schedule of prior audit findings relative to federal awards.

Finding no. 2006-3:

In connection with Hurricane Education Recovery Act Programs, the District had to repay \$173,120.00 for students that did not meet the Department of Education's definition of displaced. Errors were made in reporting data related to the program.

Finding no. 2006-4:

In connection with Hurricane Education Recovery Act Programs, the District had a cash balance of \$16,000 on its books beyond the October 29, 2006 expenditure deadline giving the appearance that expenditures were made beyond the deadline.

Finding no. 2006-5:

In connection with Hurricane Education Recovery Act Programs, the District had to repay \$72,000.00 for students that were counted twice in the same quarter and for unsupported final displaced student counts for all four quarters. Errors were made in reporting data related to the program.

Response and current status:

All three of the findings were from the Final Audit Report from the United States Department of Education's Office of Inspector General (OIG) in connection to grant monies provided to the District for public and private students displaced by Hurricane Katrina in August 2005.

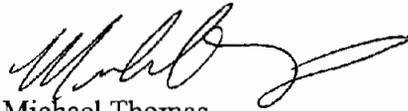
The question costs listed in our 2006 audit total \$261,120. The final OIG report dated October 10, 2007 reports questioned costs of \$245,120 and are detailed as follows:

Finding 06-3	\$173,120
Finding 06-4	\$ 15,750
Finding 06-5	<u>\$ 56,250</u>
	<u>\$245,120</u>

While the District does not take issue with the findings, it should be clarified that the District only had to repay \$99,797.83 in previously spent funds. The remaining \$145,322.17 was unspent funds forfeited and unexpended at the end of the grant period.

The District had never dealt with a situation like Hurricane Katrina. As a result of this type of influx of students and infusion of grant money, the District's procedures for monitoring such a grant involving students, both in our schools, as well as students in private schools in the area, were not well established. In addition, guidelines for project management were not received from the Mississippi Department of Education in a timely manner. Procedures have since been put into place to monitor, review, and cross check all grants the District receives.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Michael Thomas", with a long horizontal flourish extending to the right.

Michael Thomas
Deputy Superintendent of Operations
601-960-8801