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JACKSON PUBLIC SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2009

JACKSON PUBLIC SCHOOL DISTRICT

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FINANCIAL AUDIT REPORT

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

Superintendent and School Board  
Jackson Public School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson Public School District as of and for the year ended June 30, 2009, 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, 2009, 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 May 24, 2011, 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 and the Budgetary Comparison Schedule and corresponding notes are not a required part of the basic financial statements but are supplemental 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 supplemental 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.

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

Watkins, Ward and Stafford, PLLC  
Jackson, Mississippi  
May 24, 2011

*Watkins, Ward and Stafford PLLC*



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JACKSON PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009

The discussion and analysis of Jackson Public School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2009. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this District's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the District's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

**FINANCIAL HIGHLIGHTS**

- Total net assets for 2009 decreased \$1,649,030, net of a prior period adjustment of \$1,322,058, which represents a 6% decrease from fiscal year 2008.
- General revenues amounted to \$226,232,271 and \$218,887,311, or 82% and 81% of all revenues for fiscal years 2009 and 2008, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$48,635,037, or 18% of total revenues for 2009, and \$51,544,540, or 19% of total revenues for 2008.
- The District had \$277,838,396 and \$275,660,818 in expenses for fiscal years 2009 and 2008; only \$48,635,037 for 2009 and \$51,544,540 for 2008 of these expenses was offset by program specific charges for services and grants and contributions. General revenues of \$226,232,271 for 2009 and \$218,887,311 for 2008 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$207,439,953 in revenues and \$202,308,511 in expenditures for 2009, and \$206,764,040 in revenues and \$201,712,749 in expenditures in 2008. The General Fund's fund balance increased by \$1,760,502 including an increase in inventory of \$108,413 from 2008 to 2009, and decreased by \$900,512 including a prior period adjustment of (\$722,019) and a decrease in inventory of \$26,653 from 2007 to 2008.
- Capital assets, net of accumulated depreciation, increased by \$10,851,807 for 2009 and increased by \$4,367,302 for 2008. The increase for 2009 was due primarily to the ongoing construction of new school facilities at various school locations during the fiscal year.
- Long-term debt increased by \$105,281,051 for 2009 and increased by \$27,524,907 for 2008. The increase for 2009 was due primarily to the issuance of general obligation bonds in the amount of \$114,000,000 in which the proceeds will be used for various renovation and construction projects.

**OVERVIEW OF THE 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 supplemental 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.

JACKSON PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009

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

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

**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. The governmental fund's balance sheet is reconciled to the statement of net assets, and the governmental fund's statement of revenues, expenditures, and changes in fund balances is reconciled to the statement of activities to facilitate this comparison between governmental funds and governmental activities.

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

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

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

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

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

JACKSON PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009

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

Also, included in the other supplemental information section are the Statement of Revenues, Expenditures and Changes in Fund Balances, General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances, All Governmental Funds, Last Four Years. This information is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets.** Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$25,570,804 as of June 30, 2009.

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.

Table 1 presents a summary of the District's net assets at June 30, 2009 and June 30, 2008.

**Table 1**  
**Condensed Statement of Net Assets**

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>Percentage Change</u>
Current assets	\$ 149,126,424	\$ 49,918,261	198.74 %
Other assets	4,359,036	3,016,395	44.51 %
Capital assets, net	118,419,820	107,568,013	10.09 %
<b>Total assets</b>	<b><u>271,905,280</u></b>	<b><u>160,502,669</u></b>	<b>69.41 %</b>
Current liabilities	19,503,471	17,871,064	9.13 %
Long-term liabilities	226,831,005	115,411,771	96.54 %
<b>Total liabilities</b>	<b><u>246,334,476</u></b>	<b><u>133,282,835</u></b>	<b>84.82 %</b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	50,097,716	25,947,762	93.07 %
Restricted	7,171,028	9,168,727	(21.79) %
Unrestricted	(31,697,940)	(7,896,655)	(301.41) %
<b>Total net assets</b>	<b><u>\$ 25,570,804</u></b>	<b><u>\$ 27,219,834</u></b>	<b>(6.06) %</b>

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

- Increase in net capital assets in the amount of \$10,851,807.
- The issuance of new long-term debt in the amount of \$114,000,000.
- The principal retirement of \$8,775,746 of long-term debt.

**Changes in net assets.** The District's total revenues for the fiscal years ended June 30, 2009 and June 30, 2008 were \$274,867,308 and \$270,431,851, respectively. The total cost of all programs and services was \$277,838,396 for 2009 and \$275,660,818 for 2008. Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2009 and June 30, 2008.

JACKSON PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009

**Table 2**  
**Change(s) in Net Assets**

	Year Ended June 30, 2009	Year Ended June 30, 2008	Percentage Change
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 3,963,281	\$ 3,431,275	15.50 %
Operating grants and contributions	44,671,756	48,113,265	(7.15) %
General revenues:			
Property taxes	85,986,630	78,655,548	9.32 %
Grants and contributions not restricted	134,896,220	135,323,851	(0.32) %
Investment earnings	2,592,798	1,140,254	127.39 %
Sixteenth section sources	1,363,502	1,264,346	7.84 %
Other	1,393,121	2,503,312	(44.35) %
<b>Total revenues</b>	<b>274,867,308</b>	<b>270,431,851</b>	<b>1.64 %</b>
<b>Expenses:</b>			
Instruction	147,618,829	160,039,815	(7.76) %
Support services	102,604,317	94,050,418	9.10 %
Non-instructional	17,506,513	17,212,844	1.71 %
Sixteenth section	97,183	61,811	57.23 %
Interest and other expense on long-term liabilities	10,011,554	4,295,930	133.05 %
<b>Total expenses</b>	<b>277,838,396</b>	<b>275,660,818</b>	<b>0.79 %</b>
<b>Increase (Decrease) in net assets</b>	<b>(2,971,088)</b>	<b>(5,228,967)</b>	<b>43.18 %</b>
<b>Net Assets, July 1</b>	<b>27,219,834</b>	<b>37,060,976</b>	<b>(26.55) %</b>
<b>Prior Period Adjustments</b>	<b>1,322,058</b>	<b>(4,612,175)</b>	<b>128.66 %</b>
<b>Net Assets Restated, July 1</b>	<b>28,541,892</b>	<b>32,448,801</b>	<b>(12.04) %</b>
<b>Net Assets, June 30</b>	<b>\$ 25,570,804</b>	<b>\$ 27,219,834</b>	<b>(6.06) %</b>

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

JACKSON PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009

**Table 3**  
**Net Cost of Governmental Activities**  
**Total Expenses**

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2009</b>	<b>2008</b>	
Instruction	\$ 147,618,829	\$ 160,039,815	(7.76) %
Support services	102,604,317	94,050,418	9.10 %
Non-instructional	17,506,513	17,212,844	1.71 %
Sixteenth section	97,183	61,811	57.23 %
Interest on long-term liabilities	10,011,554	4,295,930	133.05 %
<b>Total expenses</b>	<b>\$ 277,838,396</b>	<b>\$ 275,660,818</b>	<b>0.79 %</b>

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2009</b>	<b>2008</b>	
Instruction	\$ (126,976,999)	\$ (139,184,690)	(8.77) %
Support services	(92,312,544)	(80,333,166)	14.91 %
Non-instructional	194,921	(240,681)	(180.99) %
Sixteenth section	(97,183)	(61,811)	57.23 %
Interest on long-term liabilities	(10,011,554)	(4,295,930)	133.05 %
<b>Total net (expense) revenue</b>	<b>\$ (229,203,359)</b>	<b>\$ (224,116,278)</b>	<b>2.27 %</b>

- Net cost of governmental activities in the amount of \$229,203,359 for 2009 and \$224,116,278 for 2008 was financed by general revenue, which is made up of primarily property taxes of \$85,986,630 for 2009 and \$78,655,548 for 2008 and state and federal revenues of \$134,896,220 for 2009 and \$135,323,851 for 2008. In addition, there was \$1,363,502 and \$1,264,346 in Sixteenth Section sources for 2009 and 2008, respectively.
- Investment earnings amounted to \$2,592,798 for 2009 and \$1,140,254 for 2008.

**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 \$135,227,353, an increase of \$99,305,654, which includes a prior period adjustment of \$1,327,058 and an increase in reserve for inventory of \$21,867. This increase in fund balance is due primarily to proceeds from the issuance of general obligation bonds during the fiscal year, in which the majority of the proceeds remained unspent and on hand at the end of the fiscal year. \$15,307,018, or 11%, of the fund balance represents unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$119,920,335, or 89%, is reserved or designated to indicate that it is not available for spending because it has already been committed. This portion of

JACKSON PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009

the fund balance is reserved for inventory, capital projects, debt service, unemployment benefits, forestry improvement purposes and permanent fund purposes.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$1,760,502, which includes a prior period adjustment of \$1,252,692 and an increase in reserve for inventory of \$108,413. A prior period adjustment was needed in the General Fund to restate the beginning fund balance to reflect a receivable that was improperly reduced during the prior year audit. The fund balance of the School Bond Series 2008 Fund showed an increase of \$103,333,431, which is net of a prior period adjustment of (\$546,928). This increase was due primarily to proceeds from the issuance of long-term debt during the fiscal year, in which the majority of the proceeds remained unspent and on hand at the end of the fiscal year. The fund balance of Other Governmental Funds showed a decrease in the amount of \$5,788,279, which is net of a prior period adjustment of \$621,294 and includes a decrease in reserve for inventory of \$86,546.

**BUDGETARY HIGHLIGHTS**

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District. Budget revisions during the year were routine in nature and insignificant when compared to total revenues and expenditures of the School District.

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, 2009, the District's total capital assets were \$218,793,608, including land, construction in progress, school buildings and other improvements, buses and other school vehicles, furniture and equipment and leased property under capital leases. This amount represents a gross increase of \$14,980,798 from 2008, due primarily to the ongoing and completed construction of new school facilities at various school locations. Total accumulated depreciation as of June 30, 2009, was \$100,373,788, and total depreciation expense for the year was \$4,764,953, resulting in total net capital assets of \$118,419,820.

**Table 4**  
**Capital Assets, Net of Depreciation**

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>Percentage Change</u>
Land	\$ 5,445,362	\$ 5,445,362	0.00 %
Construction in Progress	15,213,319	3,129,041	386.20 %
Buildings	78,228,335	80,518,004	(2.84) %
Improvements other than buildings	15,822,431	13,769,753	14.91 %
Mobile equipment	2,664,604	2,982,473	(10.66) %
Furniture and equipment	1,024,954	1,537,394	(33.33) %
Leased property under capital leases	20,815	185,986	(88.81) %
<b>Total</b>	<u>\$ 118,419,820</u>	<u>\$ 107,568,013</u>	<b>10.09 %</b>

**Debt Administration.** At June 30, 2009, the District had \$220,113,791 in outstanding long-term debt, of which \$7,015,695 is due within one year. During the fiscal year, the District received proceeds from the issuance of

JACKSON PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009

general obligation bonds in the amount of \$114,000,000. The District also made principal payments on existing long-term debt in the amount of \$8,775,746. In addition, the liability for compensated absences increased \$51,797 from the prior year.

The District maintains an A1 bond rating.

**Table 5**  
**Outstanding Long-Term Debt**

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>Percentage</u> <u>Change</u>
General obligation bonds payable	\$ 144,950,000	\$ 33,685,000	330.31 %
Limited obligation bonds payable	21,675,000	23,545,000	(7.94) %
Three mill notes payable	42,401,688	45,111,688	(6.01) %
Obligations under capital leases	399,977	1,309,112	(69.45) %
Obligations under energy efficiency lease	6,174,756	6,721,367	(8.13) %
Qualified zone academy bonds payable	2,500,000	2,500,000	0.00 %
Compensated absences payable	2,012,370	1,960,573	2.64 %
<b>Total</b>	<b>\$ <u>220,113,791</u></b>	<b>\$ <u>114,832,740</u></b>	<b>91.68 %</b>

**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 District's system of financial planning, budgeting and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

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

**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, MS 39225-2338.



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JACKSON PUBLIC SCHOOL DISTRICT

FINANCIAL STATEMENTS

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Jackson Public School District  
Statement of Net Assets  
June 30, 2009

Exhibit A

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 133,091,711
Cash with fiscal agents	2,951,980
Due from other governments	10,586,526
Other receivables, net	1,567,227
Inventories	928,980
Deferred charges	1,336,084
Restricted assets	3,022,952
Capital assets, non-depreciable:	
Land	5,445,362
Construction in progress	15,213,319
Capital assets, net of accumulated depreciation:	
Buildings	78,228,335
Improvements other than buildings	15,822,431
Mobile equipment	2,664,604
Furniture and equipment	1,024,954
Leased property under capital leases	20,815
<b>Total Assets</b>	<b><u>271,905,280</u></b>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	16,286,437
Unearned revenue	635,586
Interest payable on long-term liabilities	2,581,448
Long-term liabilities, due within one year	
Capital related liabilities	6,021,227
Non-capital related liabilities	994,468
Long-term liabilities, due beyond one year	
Capital related liabilities	167,167,938
Capital related bond premium	6,717,214
Non-capital related liabilities	45,930,158
<b>Total Liabilities</b>	<b><u>246,334,476</u></b>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	50,097,716
Restricted net assets:	
Expendable:	
School-based activities	2,345,396
Debt service	3,798,978
Forestry improvements	51,044
Unemployment benefits	680,740
Non-expendable:	
Sixteenth section	294,870
Unrestricted	(31,697,940)
<b>Total Net Assets</b>	<b><u>25,570,804</u></b>

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, 2009

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
<b>Governmental Activities:</b>					
Instruction	\$ 147,618,829	\$ 1,316,988	\$19,324,842	\$ -	\$ (126,976,999)
Support services	102,604,317	673,576	9,618,197	-	(92,312,544)
Non-instructional	17,506,513	1,972,717	15,728,717	-	194,921
Sixteenth section	97,183	-	-	-	(97,183)
Interest on long-term liabilities	10,011,554	-	-	-	(10,011,554)
<b>Total Governmental Activities</b>	<b>277,838,396</b>	<b>3,963,281</b>	<b>44,671,756</b>	<b>-</b>	<b>(229,203,359)</b>
<b>General Revenues:</b>					
Taxes:					
General purpose levies					73,890,519
Debt purpose levies					12,096,111
Unrestricted grants and contributions:					
State					132,685,268
Federal					2,210,952
Unrestricted investment earnings					2,592,798
Sixteenth section sources					1,363,502
Other					1,393,121
<b>Total General Revenues</b>					<b>226,232,271</b>
Change in Net Assets					(2,971,088)
Net Assets - Beginning					27,219,834
Prior Period Adjustments					1,322,058
Net Assets - Beginning - Restated					28,541,892
Net Assets - Ending					<b>\$ 25,570,804</b>

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

	<u>Major Funds</u>			
	General	School Bond	Other	Total
	Fund	Series 2008	Governmental	Governmental
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 11,114,964	\$ 105,518,611	\$ 16,753,006	\$ 133,386,581
Cash with fiscal agents	2,951,980		615	2,952,595
Investments			2,727,467	2,727,467
Due from other governments	4,225,195		4,659,557	8,884,752
Other receivables, net	1,552,775		14,452	1,567,227
Due from other funds	5,369,837		1,724,160	7,093,997
Inventories	667,012		261,968	928,980
	<u>25,881,763</u>	<u>105,518,611</u>	<u>26,141,225</u>	<u>157,541,599</u>
<b>LIABILITIES &amp; FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities	10,870,551	2,185,180	3,230,706	16,286,437
Due to other funds	453,598		4,938,625	5,392,223
Unearned revenue			635,586	635,586
Total Liabilities	<u>11,324,149</u>	<u>2,185,180</u>	<u>8,804,917</u>	<u>22,314,246</u>
Fund Balances:				
Reserved for:				
Inventory	667,012		261,968	928,980
Capital projects		103,333,431	8,250,844	111,584,275
Debt service			6,380,426	6,380,426
Unemployment benefits			680,740	680,740
Forestry improvement purposes			51,044	51,044
Permanent fund purposes			294,870	294,870
Unreserved, undesignated, reported in:				
General Fund	13,890,602			13,890,602
Special Revenue Funds			1,416,416	1,416,416
Total Fund Balances	<u>14,557,614</u>	<u>103,333,431</u>	<u>17,336,308</u>	<u>135,227,353</u>
Total Liabilities & Fund Balances	<u>\$ 25,881,763</u>	<u>\$ 105,518,611</u>	<u>\$ 26,141,225</u>	<u>\$ 157,541,599</u>

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, 2009

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 135,227,353
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 \$100,373,788.	118,419,820
2. Bond issue costs are reported as expenditures in the governmental funds but are deferred in the Statement of Net Assets.	1,336,084
3. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(220,113,791)
4. Bond premiums are reported as other financing sources in the governmental funds but are deferred in the Statement of Net Assets.	(6,717,214)
5. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Net Assets recognizes interest as it accrues.	(2,581,448)
Total Net Assets - Governmental Activities	<u>\$ 25,570,804</u>

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

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

For the Year Ended June 30, 2009

	Major Funds			Total Governmental Funds
	General Fund	School Bond Series 2008 Fund	Other Governmental Funds	
<b>Revenue:</b>				
Local sources	\$ 76,403,538	\$ 2,193,556	\$ 14,664,840	\$ 93,261,934
State sources	128,746,595	-	8,500,368	137,246,963
Federal sources	2,289,820	-	40,031,513	42,321,333
Sixteenth section sources	-	-	1,363,502	1,363,502
Total Revenues	<u>207,439,953</u>	<u>2,193,556</u>	<u>64,560,223</u>	<u>274,193,732</u>
<b>Expenditures:</b>				
Instruction	118,923,043	-	24,877,318	143,800,361
Support services	81,109,164	3,090,901	17,580,896	101,780,961
Noninstructional services	51,326	-	17,436,374	17,487,700
Sixteenth section	-	-	97,183	97,183
Facilities acquisition and construction	-	14,513,425	892,882	15,406,307
Debt service:				
Principal	1,455,746	-	7,320,000	8,775,746
Interest	767,357	-	8,060,598	8,827,955
Other	1,875	1,202,196	18,300	1,222,371
Total Expenditures	<u>202,308,511</u>	<u>18,806,522</u>	<u>76,246,147</u>	<u>297,398,584</u>
Excess (Deficiency) of Revenues over Expenditures	<u>5,131,442</u>	<u>(16,612,966)</u>	<u>(11,723,328)</u>	<u>(23,204,852)</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds of general obligation bonds	-	114,000,000	-	114,000,000
Premium on debt issuance	-	6,493,325	-	6,493,325
Insurance loss recoveries	578,576	-	95,000	673,576
Sale of other property	1,073	-	-	1,073
Operating transfers in	1,762,586	-	7,011,120	8,773,706
Payments held by QZAB debt escrow agent	-	-	142,000	142,000
Operating transfers out	(6,932,280)	-	(1,841,426)	(8,773,706)
Payment to QZAB debt escrow agent	(142,000)	-	-	(142,000)
Other financing uses	-	-	(6,393)	(6,393)
Total Other Financing Sources (Uses)	<u>(4,732,045)</u>	<u>120,493,325</u>	<u>5,400,301</u>	<u>121,161,581</u>
Net Change in Fund Balances	<u>399,397</u>	<u>103,880,359</u>	<u>(6,323,027)</u>	<u>97,956,729</u>
<b>Fund Balances:</b>				
July 1, 2008, as previously reported	12,797,112	-	23,124,587	35,921,699
Prior period adj. & reclassifications	<u>1,252,692</u>	<u>(546,928)</u>	<u>621,294</u>	<u>1,327,058</u>
July 1, 2008, as restated	<u>14,049,804</u>	<u>(546,928)</u>	<u>23,745,881</u>	<u>37,248,757</u>
Increase (Decrease) in reserve for inventory	<u>108,413</u>	<u>-</u>	<u>(86,546)</u>	<u>21,867</u>
June 30, 2009	<u>\$ 14,557,614</u>	<u>\$ 103,333,431</u>	<u>\$ 17,336,308</u>	<u>\$ 135,227,353</u>

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



Jackson Public School District  
 Reconciliation of the Governmental Funds Statement of Revenues,  
 Expenditures and Changes in Fund Balances to the Statement of Activities  
 For the Year Ended June 30, 2009

Exhibit D-1

	<u>Amounts</u>
Net Change in Fund Balances - Governmental Funds	\$ 97,956,729
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchased amounted to \$15,772,223 and the depreciation expense amounted to \$4,764,953.	11,007,270
2. The issuance of long-term debt provides current financial resources to governmental funds, but the issuance increases long-term liabilities for governmental activities.	(114,000,000)
3. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities for governmental activities.	8,775,746
4. Issuance costs for long-term liabilities are reported as expenditures in the governmental funds, but are deferred and the expense amortized in the Statement of Activities.	1,131,309
5. Bond premiums are reported as other financing sources in the governmental funds, but are deferred and amortized in the Statement of Activities.	(6,138,183)
6. 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.	(1,518,566)
7. Gains and losses on the sale or disposal of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(155,463)
8. Increase (decrease) in the inventory is reported as an adjustment to fund balance in the governmental funds, but non-instructional expenditures are (decreased) increased in the Statement of Activities.	21,867
9. 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	(51,797)
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ (2,971,088)</u></b>

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

Jackson Public School District  
Statement of Fiduciary Net Assets  
For the Year ended June 30, 2009

Exhibit E

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 91,919	\$ 4,256,096
Other receivables	-	807,805
	<u>91,919</u>	<u>5,063,901</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	-	3,029,806
Due to other funds	-	1,701,774
Due to student clubs	-	332,321
	<u>-</u>	<u>\$ 5,063,901</u>
<b>Net Assets</b>		
Reserved for scholarships	5,153	
Held in trust	86,766	
	<u>\$ 91,919</u>	

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

Jackson Public School District  
Statement of Changes in Fiduciary Net Assets  
For the Year ended June 30, 2009

Exhibit F

Private-Purpose  
Trust Funds

**Additions**

Contributions and donations from private sources

52,254

Total Additions

52,254

**Deductions**

Educational media services

59,306

Total Deductions

59,306

Change in Net Assets

(7,052)

**Net Assets**

July 1, 2008

-

Prior period adjustments

98,971

July 1, 2008, as restated

98,971

June 30, 2009

\$ 91,919

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

JACKSON PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2009

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

As defined by accounting principles generally accepted in the United States of America, the school district is considered 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.

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

B. Basis of Presentation.

Government-wide Financial Statements:

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function

JACKSON PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2009

and 2) grants, contributions and interest restricted to meeting the operational or capital

requirements of a particular function. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

*Fund Financial Statements:*

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

The school district reports the following major governmental funds:

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

School Bond Series 2008 Fund – This is a debt service fund used to account for the proceeds from the issuance of general obligation bonds and the payment of debt principal, interest and related costs for the general obligation bonds.

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

The school district also reports fiduciary funds which focus on net assets and changes in net assets.

The District's fiduciary funds include the following:

RN Fortenberry Scholarship Fund – This fund serves as a private-purpose trust fund used to report a trust arrangement, other than those properly reported elsewhere, in which scholarships are provided to students of the school district.

Lake Memorial Library – This fund serves as a private-purpose trust fund used to report a trust arrangement, other than those properly reported elsewhere, in which the principal and income benefit individuals, private organizations or other governments.

Payroll Clearing Fund – This fund serves as a clearing fund for payroll type transactions.

Student Club Funds – These various funds account for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual clubs.

Accounts Payable Clearing Fund – This fund serves as a clearing fund for accounts payable type transactions.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific

JACKSON PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2009

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

Private-purpose Trust Funds - Private-purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, in which the principal and income benefit individuals, private organizations or other governments.

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

#### C. Measurement Focus and Basis of Accounting.

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

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

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

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

Ad valorem property taxes are levied by the governing authority of the city on behalf of the

JACKSON PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2009

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

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

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

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

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

D. Account Classifications.

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

E. Encumbrances.

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

F. Assets, liabilities, and net assets or equity

1. Cash, Cash equivalents and Investments

Cash and cash equivalents.

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

Investments.

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

JACKSON PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2009

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired. Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items.

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

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

5. Restricted Assets

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

6. Capital Assets.

Capital assets, which include property, plant, furniture and equipment, are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below and estimated useful lives in excess of two years.

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



JACKSON PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2009

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

The following schedule details the capitalization thresholds:

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

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

7. **Compensated Absences.**

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

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

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

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

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

9. **Fund equity.**

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

JACKSON PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2009

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 are descriptions 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 is 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 is 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.

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

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

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest surplus funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits and interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c)

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United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by the government or enumerated agency of the United States; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or interest in, and open-end or closed-end any management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Amounts less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$133,386,581 and \$4,348,015, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents of \$133,091,711 and a portion of restricted assets in the amount of \$294,870 (see Note 4). The bank balance was \$143,103,289.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2009, none of the district's bank balance of \$143,103,289 was exposed to custodial credit risk.

Cash with Fiscal Agents.

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$2,952,595.

Investments.

As of June 30, 2009, the district had the following investments.

Investment Type	Maturities (in years)	Fair Value	Rating
Federal National Mortgage Assn.	Less than 1 year	\$ 1,559,500	
Federal US Treasury Cash Reserve	Less than 1 year	<u>1,167,967</u>	
Total Investments		<u>\$ 2,727,467</u>	

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

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

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

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policy that addresses custodial credit risk. As of June 30, 2009, the district did not have any investments to which this would apply.

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

(3) Inter-fund Receivables, Payables and Transfers.

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

A. Due From/To Other Funds.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 3,668,063
	Fiduciary funds	1,701,774
Other governmental funds	General Fund	453,598
	Other governmental funds	1,270,562
Total		\$ <u><u>7,093,997</u></u>

The inter-fund loans were made mainly to cover initial payments of reimbursable expenditures of federal programs and to eliminate deficit cash balances. In addition, an inter-fund loan was made to reflect the payment of expendable resources from the Sixteenth Section Interest Fund to the General Fund.

B. Inter-fund Transfers.

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 6,932,280
Other governmental funds	General Fund	1,762,586
	Other governmental funds	78,840
Total		\$ <u><u>8,773,706</u></u>

The transfers were primarily for the following: the funding of daily operations and routine activities of funds other than District Maintenance, indirect cost transfers, transfers to Education Enhancement Funds to cover the costs of textbooks and transportation, transfers to cover vocational and special education expenditures, transfers to cover unemployment costs, and the transfer of expendable sixteenth section sources from the Sixteenth Section Interest Fund to the General Fund.

(4) Restricted Assets.

The restricted assets represent the cash balance totaling \$294,870 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's

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programs. In addition, the restricted assets represent the cash with fiscal agent and investment balance, totaling \$615, and \$1,559,500, respectively, of the QZAB Bond Retirement Fund. In addition the restricted assets represent the investment balance totaling \$1,167,967 of the MAEP Limited Obligation Bond Fund.

(5) Capital Assets.

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

	Balance 7/1/2008	Additions	Retirements	Completed Construction	Adjustments*	Balance 6/30/2009
<b>Governmental Activities:</b>						
<u>Non-depreciable capital assets:</u>						
Land	\$ 5,445,362					5,445,362
Construction in progress	3,129,041	15,406,307		(3,322,029)		15,213,319
<b>Total non-depreciable capital assets</b>	<b>8,574,403</b>	<b>15,406,307</b>	<b>-</b>	<b>(3,322,029)</b>	<b>-</b>	<b>20,658,681</b>
<u>Depreciable capital assets:</u>						
Buildings	132,060,846		343,691			131,717,155
Improvements other than buildings	29,187,649		54,557	3,322,029		32,455,121
Mobile equipment	18,158,955					18,158,955
Furniture and equipment	11,605,384	365,916	393,177		2,143,993	13,722,116
Leased property under capital leases	4,225,573				(2,143,993)	2,081,580
<b>Total depreciable capital assets</b>	<b>195,238,407</b>	<b>365,916</b>	<b>791,425</b>	<b>3,322,029</b>	<b>-</b>	<b>198,134,927</b>
<u>Less accumulated depreciation for:</u>						
Buildings	51,542,842	2,164,324	218,346			53,488,820
Improvements other than buildings	15,417,896	1,243,164	28,370			16,632,690
Mobile equipment	15,176,482	317,869				15,494,351
Furniture and equipment	10,067,990	895,865	389,246		2,122,553	12,697,162
Leased property under capital leases	4,039,587	143,731			(2,122,553)	2,060,765
<b>Total accumulated depreciation</b>	<b>96,244,797</b>	<b>4,764,953</b>	<b>635,962</b>	<b>-</b>	<b>-</b>	<b>100,373,788</b>
<b>Total depreciable capital assets, net</b>	<b>98,993,610</b>	<b>(4,399,037)</b>	<b>155,463</b>	<b>3,322,029</b>	<b>-</b>	<b>97,761,139</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 107,568,013</b>	<b>11,007,270</b>	<b>155,463</b>	<b>-</b>	<b>-</b>	<b>118,419,820</b>

Adjustments were needed to reflect the cost and accumulated depreciation of equipment previously reported as leased property under capital leases as furniture and equipment. The capital lease related to this equipment was paid in full during the fiscal year.

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Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Governmental activities:	
Instruction	\$ 3,895,170
Support services	831,693
Non-instructional	38,090
Total Depreciation Expense	<u>\$ 4,764,953</u>

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

Commitments under construction contracts at June 30, 2009, are summarized as follows:

	<u>Spent to June 30, 2009</u>	<u>Remaining Commitment</u>
Governmental Activities:		
New Construction - Peeples Middle School	\$ 2,382,503	15,157,511
New Construction - Bates/Cordoza Schools	3,743,157	25,430,940
New Construction - Kirksey Middle School	877,131	14,940
Classroom Additions - Casey Elementary School	1,319,501	1,090,307
Classroom Additions - Forest Hill High School	803,065	3,898,336
Classroom Additions - Provine & Murrah Schools	259,004	-
Classroom Additions - North Jackson Elementary	963,099	79,261
Classroom Additions - Marshall Elementary	1,684,249	128,979
Classroom Additions - Wilkins Elementary	2,351,073	1,923,981
Classroom Additions - McLeod Elementary	830,537	1,483,037
Total	<u>\$ 15,213,319</u>	<u>\$ 49,207,292</u>

Construction projects included in governmental activities are funded with the proceeds of general obligation bonds.

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(6) Long-term Liabilities.

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

	Balance 7/1/2008	Additions	Reductions	Adjustments	Balance 6/30/2009	Amounts due within one year
A. General obligation bonds payable	\$ 33,685,000	114,000,000	2,735,000		144,950,000	1,215,000
B. Limited obligation bonds payable	23,545,000		1,870,000		21,675,000	1,940,000
C. Three mill notes payable	45,111,688		2,715,000	5,000	42,401,688	2,770,000
D. Obligations under capital leases	1,309,112		909,135		399,977	399,977
E. Obligations under energy efficiency lease	6,721,367		546,611		6,174,756	590,099
F. Qualified zone academy bonds payable	2,500,000				2,500,000	
G. Compensated absences payable	1,960,573	51,797			2,012,370	100,619
<b>Total</b>	<b>\$ 114,832,740</b>	<b>114,051,797</b>	<b>8,775,746</b>	<b>5,000</b>	<b>220,113,791</b>	<b>7,015,695</b>

An adjustment was needed to reflect the correct outstanding balance of three mill notes payable at June 30, 2009.

A. General obligation bonds payable.

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

Description	Interest Rate(s)	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1 General obligation bonds, Series 2007	4.0%-5.0%	10/2/2007	4/1/2027	\$ 36,000,000	32,520,000
2 General obligation bonds, Series 2008	4.0%-5.5%	7/23/2008	4/1/2028	114,000,000	112,430,000
<b>Total</b>				<b>\$ 150,000,000</b>	<b>144,950,000</b>

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Details of the district's June 30, 2009 general obligation bonded indebtedness are as follows:

1. Bond issue on October 2, 2007:

Year Ending June 30	Principal	Interest	Total
2010	\$ 1,215,000	1,418,000	2,633,000
2011	1,265,000	1,366,362	2,631,362
2012	1,320,000	1,312,600	2,632,600
2013	1,440,000	1,256,500	2,696,500
2014	1,440,000	1,195,300	2,635,300
2015 – 2019	8,160,000	4,892,750	13,052,750
2020 – 2024	10,270,000	2,940,838	13,210,838
2025 – 2027	7,410,000	653,288	8,063,288
<b>Total</b>	<b>\$ 32,520,000</b>	<b>15,035,638</b>	<b>47,555,638</b>

This debt will be retired from the General Obligation Bond Series 2007 Debt Service Fund.

2. Bond issue on July 23, 2008:

Year Ending June 30	Principal	Interest	Total
2010	\$ -	5,827,000	5,827,000
2011	2,055,000	5,827,000	7,882,000
2012	2,160,000	5,724,250	7,884,250
2013	4,515,000	5,616,250	10,131,250
2014	4,755,000	5,379,213	10,134,213
2015 – 2019	27,665,000	23,003,787	50,668,787
2020 – 2024	35,435,000	15,236,419	50,671,419
2025 – 2028	35,845,000	4,694,500	40,539,500
<b>Total</b>	<b>\$ 112,430,000</b>	<b>71,308,419</b>	<b>183,738,419</b>

This debt will be retired from the General Obligation Bond Series 2008 Debt Service Fund.



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Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2010	\$ 1,215,000	7,245,000	8,460,000
2011	3,320,000	7,193,362	10,513,362
2012	3,480,000	7,036,850	10,516,850
2013	5,955,000	6,872,750	12,827,750
2014	6,195,000	6,574,513	12,769,513
2015 – 2019	35,825,000	27,896,537	63,721,537
2020 – 2024	45,705,000	18,177,257	63,882,257
2025 – 2028	43,255,000	5,347,788	48,602,788
<b>Total</b>	<b>\$ 144,950,000</b>	<b>86,344,057</b>	<b>231,294,057</b>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2009, the amount of outstanding bonded indebtedness was equal to 12% of property assessments as of October 1, 2008.

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:

Description	Interest Rate(s)	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds, Series 2006	3.25%-5.0%	2/22/2006	2/1/2018	\$ 26,520,000	21,675,000
<b>Total</b>				<b>\$ 26,520,000</b>	<b>21,675,000</b>

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

Year Ending June 30	Principal	Interest	Total
2010	\$ 1,940,000	847,928	2,787,928
2011	2,010,000	783,237	2,793,237
2012	2,090,000	714,804	2,804,804
2013	2,160,000	634,525	2,794,525
2014	2,260,000	537,365	2,797,365
2015 – 2018	<u>11,215,000</u>	<u>1,157,432</u>	<u>12,372,432</u>
Total	<u>\$ 21,675,000</u>	<u>4,675,291</u>	<u>26,350,291</u>

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

This debt will be retired from the MAEP Debt Service Fund.

C. Three mill notes payable.

Debt currently outstanding is as follows:

Description	Interest Rate(s)	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
<sup>1</sup> Limited Tax Notes, Series 2000-B	4.35%-4.75%	9/1/2000	10/1/2010	32,205,000	2,530,000
<sup>2</sup> Limited Tax Notes, Series 2003-B	2.0%-5.55%	10/14/2003	10/1/2023	16,381,688	15,106,688
<sup>3</sup> Limited Tax Notes Refunding Bonds, Series 2005	2.45%-5.0%	5/5/2005	10/1/2020	<u>25,225,000</u>	<u>24,765,000</u>
Total				<u>\$ 73,811,688</u>	<u>42,401,688</u>

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Details of the district's June 30, 2009 three mill notes payable are as follows:

1. Three mill notes payable issued on September 1, 2000:

Year Ending June 30	Principal	Interest	Total
2010	\$ 1,240,000	90,725	1,330,725
2011	<u>1,290,000</u>	<u>30,638</u>	<u>1,320,638</u>
Total	<u>\$ 2,530,000</u>	<u>121,363</u>	<u>2,651,363</u>

This debt will be retired from the Three Mill Series 2000-B Retirement Fund.

2. Three mill notes payable issued on October 14, 2003:

Year Ending June 30	Principal	Interest	Total
2010	\$ 1,085,000	237,805	1,322,805
2011	1,115,000	205,464	1,320,464
2012	1,125,000	168,918	1,293,918
2013	1,160,000	120,792	1,280,792
2014	1,185,000	69,574	1,254,574
2015 – 2019	3,852,661	2,351,017	6,203,678
2020 – 2024	<u>5,584,027</u>	<u>9,420,972</u>	<u>15,004,999</u>
Total	<u>\$ 15,106,688</u>	<u>12,574,542</u>	<u>27,681,230</u>

This debt will be retired from the Three Mill Series 2003-B Debt Service Fund.

3. Three mill notes payable issued on May 5, 2005:

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Year Ending June 30	Principal	Interest	Total
2010	\$ 445,000	1,180,134	1,625,134
2011	460,000	1,165,535	1,625,535
2012	1,865,000	1,125,308	2,990,308
2013	1,935,000	1,044,295	2,979,295
2014	2,060,000	944,420	3,004,420
2015 – 2019	12,140,000	3,023,350	15,163,350
2020 – 2021	<u>5,860,000</u>	<u>295,060</u>	<u>6,155,060</u>
<b>Total</b>	<b>\$ <u>24,765,000</u></b>	<b><u>8,778,102</u></b>	<b><u>33,543,102</u></b>

This debt will be retired from the Three Mill Series 2005 Retirement Fund.

Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2010	\$ 2,770,000	1,508,664	4,278,664
2011	2,865,000	1,401,637	4,266,637
2012	2,990,000	1,294,226	4,284,226
2013	3,095,000	1,165,087	4,260,087
2014	3,245,000	1,013,994	4,258,994
2015 – 2019	15,992,661	5,374,367	21,367,028
2020 – 2024	<u>11,444,027</u>	<u>9,716,032</u>	<u>21,160,059</u>
<b>Total</b>	<b>\$ <u>42,401,688</u></b>	<b><u>21,474,007</u></b>	<b><u>63,875,695</u></b>

D. Obligations under capital leases.

The school district has entered into lease agreements, which qualify as capital leases for accounting purposes, for the acquisition the following:

1. Digital video servers at a cost of \$1,646,580.
2. Graphic arts equipment at a cost of \$435,000.

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Description	Interest Rate(s)	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1 Digital video servers	3.67%	10/20/2005	10/20/2009	\$ 1,646,580	248,249
2 Graphic arts equipment	4.66%	3/1/2007	3/1/2010	435,000	151,728
Total				\$ 2,081,580	399,977

Title of the various equipment passes to the School District upon final payment of the individual leases.

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
2010	\$ 399,977	9,878	409,855
Total	\$ 399,977	9,878	409,855

The school district uses the straight-line method of amortization for the lease payments which is not in accordance with accounting principles generally accepted in the United States of America. However, the difference between the effective interest method and the straight-line method is not considered material.

This debt will be retired from the District Maintenance Fund (General Fund).

E. Obligations under energy efficiency lease.

Debt currently outstanding is as follows:

Description	Interest Rate(s)	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Siemens Energy Efficiency Lease	5.39%	6/17/2002	6/17/2017	\$ 8,348,849	6,174,756
Total				\$ 8,348,849	6,174,756

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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
2010	\$ 590,099	321,025	911,124
2011	636,170	288,298	924,468
2012	684,971	253,033	938,004
2013	736,652	215,080	951,732
2014	791,375	174,281	965,656
2015 – 2017	<u>2,735,489</u>	<u>247,015</u>	<u>2,982,504</u>
<b>Total</b>	<b>\$ <u>6,174,756</u></b>	<b><u>1,498,732</u></b>	<b><u>7,673,488</u></b>

An energy efficiency lease agreement dated June 17, 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. 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.

This debt will be retired from the District Maintenance Fund (General Fund).

F. Qualified zone academy bonds payable.

As more fully explained in Note 15, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

Description	Interest Rate(s)	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified Zone Academy Bonds	0.00%	7/20/2000	7/1/2012	\$ <u>2,500,000</u>	<u>2,500,000</u>
<b>Total</b>				<b>\$ <u>2,500,000</u></b>	<b><u>2,500,000</u></b>

G. Compensated absences payable.

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

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(7) 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, 2009, \$23,770,000 of bonds outstanding are defeased.

(8) Short-Term Financing.

During the fiscal year ended June 30, 2009, the school district participated in the following short-term financing for the purpose of supplementing the district's resources until tax proceeds become available:

A. Bank-financed short term debt.

The Jackson Public School District issued a tax and revenue anticipation note payable to Trustmark National Bank, and the proceeds from such issuance are accounted for as a current liability in the General Fund of the school district. Once the cash flow was available, the district made a payment consisting of principal and interest to the trustee.

All transactions related to participation in this program are accounted for as part of the school district's General Fund.

Changes in short-term debt activity recorded in the governmental activities during fiscal year 2009 are as follows:

Description	Balance 7/1/2008	Additions	Reductions	Balance 6/30/2009
Tax Anticipation Note, 3.79%	\$ -	20,000,000	20,000,000	-
<b>Total</b>	<b>\$ -</b>	<b>20,000,000</b>	<b>20,000,000</b>	<b>-</b>

(9) Other Commitments.

Commitments under construction contracts are described in Note 5.

Commitments under re-roofing and renovation contracts amount to \$172,128.

(10) 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

JACKSON PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2009

Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees'

Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2009 was 11.85% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2009, 2008 and 2007 were \$18,156,987, \$18,238,066 and \$17,275,853, respectively, which equaled the required contributions for each year.

(11) Sixteenth Section Lands.

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

Year Ending	Amount
<u>June 30</u>	<u>Amount</u>
2010	\$ 1,037,323
2011	730,948
2012	702,608
2013	687,508
2014	556,008
2015 – 2019	2,723,790
2020 – 2024	2,583,620
2025 – 2029	2,213,824
2030 – 2034	1,364,635
Thereafter	<u>1,974,875</u>
Total	<u>\$ 14,575,139</u>

(12) Prior Period Adjustments.



JACKSON PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2009

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

Explanation(s)	Amount
To correct recording of prior year expenditures or prior year asset or liability, to record effect of prior year audit adjustments, to correct beginning fund balance or restate beginning fund balance for prior year error, and to record a prior year refund at the governmental fund level (see further explanation below).	\$ 1,327,058
To correct beginning balance of long term debt	(5,000)
Total \$	1,322,058

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

Major Funds	Explanation(s)	Amount
General Fund	To correct recording of prior year expenditures	\$ (138,673)
	To record effect of prior year audit adjustment	50,130
	To restate beginning fund balance for prior year receivable written off in error	1,341,235
School Bond Series 2008 Fund	To correct recording of prior year expenditures between capital project funds	(546,928)
Other governmental funds	To correct recording of prior year expenditures	60,581
	To record effect of prior year audit adjustment	(50,130)
	To correct beginning fund balance of governmental fund	(35,165)
	To correct recording of a prior year asset or liability	99,330
	To correct recording of prior year expenditures between capital project funds	546,928
	To record a prior year refund	(250)
	Total \$	1,327,058

JACKSON PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2009

Exhibit F - Statement of Changes in Fiduciary Net Assets

<u>Explanation(s)</u>	<u>Amount</u>
To restate beginning fund balance for private purpose trust funds not included in prior year audit report	\$ 98,971
Total	\$ <u>98,971</u>

(13) Contingencies.

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

Litigation.

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

(14) Risk Management.

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The 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.

(15) 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 at 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

JACKSON PUBLIC SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2009

retire the debt. The following schedule reports the yearly deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2010	\$ 142,000
2011	142,000
2012	142,000
2013	<u>120,000</u>
Total	<u>\$ 546,000</u>

(16) Insurance loss recoveries.

The Jackson Public School District received \$673,576 in insurance loss recoveries related to fire damages, damage to other property, and the settlement of lawsuits during the 2008-2009 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated to the support services expenditure function.

REQUIRED SUPPLEMENTAL INFORMATION

Jackson Public School District  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2009

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
	Original	Final		Original to	Final to
				Final	Actual
<b>REVENUES:</b>					
Local sources	\$ 76,612,500	\$ 78,102,883	\$ 76,403,538	\$1,490,383	\$ (1,699,345)
State sources	132,895,817	129,093,871	128,746,595	(3,801,946)	(347,276)
Federal sources	2,129,354	2,385,481	2,289,820	256,127	(95,661)
<b>Total Revenues</b>	<b>211,637,671</b>	<b>209,582,235</b>	<b>207,439,953</b>	<b>(2,055,436)</b>	<b>(2,142,282)</b>
<b>EXPENDITURES:</b>					
Instruction	121,479,377	121,146,399	118,923,043	332,978	2,223,356
Support services	81,179,121	82,184,820	81,109,164	(1,005,699)	1,075,656
Non-instructional services	89,706	104,413	51,326	(14,707)	53,087
Facilities acquisition and construction	500,151	1,217,495	-	(717,344)	1,217,495
Debt service:					
Principal	21,987,600	22,263,428	1,455,746	(275,828)	20,807,682
Interest	204,000	204,000	767,357	-	(563,357)
Other	-	-	1,875	-	(1,875)
<b>Total Expenditures</b>	<b>225,439,955</b>	<b>227,120,555</b>	<b>202,308,511</b>	<b>(1,680,600)</b>	<b>24,812,044</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(13,802,284)</b>	<b>(17,538,320)</b>	<b>5,131,442</b>	<b>(3,736,036)</b>	<b>22,669,762</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds of loans	20,000,000	20,000,000	-	-	(20,000,000)
Insurance loss recoveries	-	-	578,576	-	578,576
Sale of other property	-	-	1,073	-	1,073
Operating transfers in	5,382,461	5,278,404	1,762,586	(104,057)	(3,515,818)
Operating transfers out	(12,652,913)	(9,360,757)	(6,932,280)	3,292,156	2,428,477
Payment to QZAB debt escrow agent	-	-	(142,000)	-	(142,000)
<b>Total Other Financing Sources (Uses)</b>	<b>12,729,548</b>	<b>15,917,647</b>	<b>(4,732,045)</b>	<b>3,188,099</b>	<b>(20,649,692)</b>
<b>Net Change in Fund Balances</b>	<b>(1,072,736)</b>	<b>(1,620,673)</b>	<b>399,397</b>	<b>(547,937)</b>	<b>2,020,070</b>
<b>Fund Balances:</b>					
July 1, 2008, as previously reported			12,797,112		
Prior period adj. & reclassifications			1,252,692		
July 1, 2008, as restated			14,049,804		
Increase (Decrease) in reserve for inventory			108,413		
June 30, 2009			\$ 14,557,614		

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

JACKSON PUBLIC SCHOOL DISTRICT

Notes to the Required Supplemental Information  
For the Year Ended June 30, 2009

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

SUPPLEMENTAL INFORMATION

JACKSON PUBLIC SCHOOL DISTRICT  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2009

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	3,558,951
National school lunch program	10.555	11,538,993
Summer food service program for children	10.559	425,150
Total child nutrition cluster		<u>15,523,094</u>
Fresh Fruit and Vegetable Program	10.582	69,904
Total U.S. Department of Agriculture		<u>15,592,998</u>
<u>U.S. Department of Defense</u>		
Direct program(s):		
Reserve Officers' Training Corps	12.XXX	789,195
Total		<u>789,195</u>
Total U.S. Department of Defense		<u>789,195</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	1,685,849
Total Federal Communications Commission		<u>1,685,849</u>
<u>National Aeronautics and Space Administration</u>		
Passed-through the Stennis Space Center		
Science	43.001	1,500
Total National Aeronautics and Space Administration		<u>1,500</u>
<u>U.S. Department of Education</u>		
Direct programs:		
Safe and Drug-Free Schools and Communities_National Programs	84.184	142,748
Fund for the improvement of education	84.215	198,424
Total		<u>341,172</u>
Passed-through Mississippi Board for Community and Junior Colleges:		
Adult education - basic grants to states	84.002	294,900
Total		<u>294,900</u>
Passed-through Mississippi Department of Rehabilitation Services:		
Rehabilitation services - vocational rehabilitation grants to states	84.126	13,663
Total		<u>13,663</u>



JACKSON PUBLIC SCHOOL DISTRICT  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2009

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	14,191,459
Career and technical education - basic grants to states	84.048	308,345
Safe and drug-free schools and communities- state grants	84.186	142,483
Education for homeless children and youth	84.196	66,405
Twenty-first century community learning centers	84.287	465,973
State Grants for innovative programs	84.298	28,791
Education technology state grants	84.318	242,898
Teacher quality partnership grants	84.336	1,320
Transition to teaching	84.350	99,643
School Leadership	84.363	4,078
English language acquisition grants	84.365	36,288
Improving teacher quality state grants	84.367	2,119,865
School improvement grants	84.377	40,912
Total		17,748,460
Special education cluster:		
Special education - grants to states	84.027	5,049,553
Special education - preschool grants	84.173	229,132
Total special education cluster		5,278,685
Total passed-through Mississippi Department of Education		23,027,145
Passed-through the Board Office of the State of Mississippi Institutions of Higher Learning:		
Gaining early awareness and readiness for undergraduate programs	84.334	124,778
Total U.S. Department of Education		23,801,658
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Health and Human Services:		
Direct Program:		
Medical assistance program	93.778	75,569
Total		75,569
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	305,856
Total passed-through Mississippi Department of Education		305,856
Total U.S. Department of Health and Human Services		381,425

JACKSON PUBLIC SCHOOL DISTRICT  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2009

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>Corporation for National and Community Service</u>		
Passed-through the Mississippi Department of Education:		
Learn and serve America - school and community based programs	94.004	<u>8,071</u>
Total Corporation for National and Community Service		<u>8,071</u>
Total for All Federal Awards		<u><u>42,260,696</u></u>

NOTES TO SCHEDULE

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

JACKSON PUBLIC SCHOOL DISTRICT

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2009

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 210,270,849	151,847,911	7,420,504	14,972,859	36,029,575
Other	<u>87,127,735</u>	<u>13,483,608</u>	<u>2,138,409</u>	<u>190,710</u>	<u>71,315,008</u>
Total	<u>\$ 297,398,584</u>	<u>165,331,519</u>	<u>9,558,913</u>	<u>15,163,569</u>	<u>107,344,583</u>
Total number of students*	<u>30,199</u>				
Cost per student	<u>\$ 9,848</u>	<u>5,475</u>	<u>317</u>	<u>502</u>	<u>3,555</u>

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.

JACKSON PUBLIC SCHOOL DISTRICT

OTHER SUPPLEMENTAL INFORMATION

JACKSON PUBLIC SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund  
Balances

"UNAUDITED"

General Fund

Last Four Years

	<u>2009</u>	<u>2008*</u>	<u>2007*</u>	<u>2006*</u>
Revenues:				
Local sources	\$ 76,403,538	75,466,636	76,858,245	76,163,435
Intermediate sources		2,500		
State sources	128,746,595	130,418,382	122,775,935	113,677,068
Federal sources	2,289,820	876,522	2,386,290	3,321,853
Total Revenues	<u>207,439,953</u>	<u>206,764,040</u>	<u>202,020,470</u>	<u>193,162,356</u>
Expenditures:				
Instruction	118,923,043	119,704,949	117,560,316	109,895,857
Support services	81,109,164	79,031,804	81,863,338	79,520,340
Noninstructional services	51,326	13,147	62,316	119,166
Facilities acquisition and construction		493,458	1,332,777	1,729,159
Debt service:				
Principal	1,455,746	1,660,537	1,451,855	21,388,481
Interest	767,357	808,854	1,094,169	852,814
Other	<u>1,875</u>			
Total Expenditures	<u>202,308,511</u>	<u>201,712,749</u>	<u>203,364,771</u>	<u>213,505,817</u>
Excess (Deficiency) of Revenues over Expenditures	<u>5,131,442</u>	<u>5,051,291</u>	<u>(1,344,301)</u>	<u>(20,343,461)</u>
Other Financing Sources (Uses):				
Proceeds of loans				20,000,000
Inception of capital leases			435,000	1,646,580
Insurance loss recoveries	578,576	89,252	94,075	1,289,899
Sale of transportation equipment				54,743
Sale of other property	1,073	1,480		
Operating transfers in	1,762,586	2,180,912	3,940,886	3,889,994
Other financing sources				
Operating transfers out	(6,932,280)	(7,474,775)	(8,434,447)	(8,994,711)
Payment to refunded bond escrow agent	(142,000)			
Total Other Financing Sources (Uses)	<u>(4,732,045)</u>	<u>(5,203,131)</u>	<u>(3,964,486)</u>	<u>17,886,505</u>
Net Change in Fund Balances	<u>399,397</u>	<u>(151,840)</u>	<u>(5,308,787)</u>	<u>(2,456,956)</u>
Fund Balances:				
Beginning of period	12,797,112	13,697,624	18,907,603	21,494,493
Prior period adjustments	<u>1,252,692</u>	<u>(722,019)</u>		<u>(87,400)</u>
Beginning of period, as restated	<u>14,049,804</u>	<u>12,975,605</u>	<u>18,907,603</u>	<u>21,407,093</u>
Increase (Decrease) in reserve for inventory	<u>108,413</u>	<u>(26,653)</u>	<u>98,808</u>	<u>(42,534)</u>
End of Period	\$ <u><u>14,557,614</u></u>	<u><u>12,797,112</u></u>	<u><u>13,697,624</u></u>	<u><u>18,907,603</u></u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

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

"UNAUDITED"

	2009	2008*	2007*	2006*
<b>Revenues:</b>				
Local sources	\$ 93,261,934	85,382,200	86,121,057	86,501,744
Intermediate sources		2,500		
State sources	137,246,963	139,013,538	130,906,957	122,080,000
Federal sources	42,321,333	44,609,797	47,503,688	54,103,653
Sixteenth section sources	<u>1,363,502</u>	<u>1,264,346</u>	<u>1,461,459</u>	<u>1,066,180</u>
Total Revenues	<u>274,193,732</u>	<u>270,272,381</u>	<u>265,993,161</u>	<u>263,751,577</u>
<b>Expenditures:</b>				
Instruction	143,800,361	145,673,354	143,036,583	142,076,000
Support services	101,780,961	93,279,094	98,144,843	96,388,505
Non-instructional services	17,487,700	17,244,828	17,062,013	15,696,661
Sixteenth section	97,183	61,811	121,902	96,932
Facilities acquisition and construction	15,406,307	19,395,119	8,605,194	6,329,933
<b>Debt service:</b>				
Principal	8,775,746	8,435,537	9,846,855	56,038,481
Interest	8,827,955	4,320,017	4,125,032	4,538,621
Other	<u>1,222,371</u>	<u>206,650</u>		<u>362,055</u>
Total Expenditures	<u>297,398,584</u>	<u>288,616,410</u>	<u>280,942,422</u>	<u>321,527,188</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(23,204,852)</u>	<u>(18,344,029)</u>	<u>(14,949,261)</u>	<u>(57,775,611)</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds of general obligation bonds	114,000,000	36,000,000		
Premium on debt issuance	6,493,325			
Proceeds of refunding bonds				26,520,000
Proceeds of loans				20,000,000
Inception of capital leases			435,000	1,646,580
Insurance loss recoveries	673,576	314,252	94,075	1,289,899
Sale of Property	1,073			
Sale of transportation equipment		1,480		54,743
Sale of other equipment			255	
Payment held by escrow agent		142,000	142,000	142,000
Operating transfers in	8,773,706	9,798,861	12,375,333	12,816,962
Other financing sources	142,000	579,031	5,265,853	
Operating transfers out	(8,773,706)	(9,798,861)	(12,375,333)	(12,816,962)
Payment to QZAB debt escrow agent	(142,000)	(142,000)	(142,000)	(142,000)
Other financing uses	<u>(6,393)</u>	<u>(5,073,825)</u>	<u>(35,034)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>121,161,581</u>	<u>31,820,938</u>	<u>5,760,149</u>	<u>49,511,222</u>
Net Change in Fund Balances	<u>97,956,729</u>	<u>13,476,909</u>	<u>(9,189,112)</u>	<u>(8,264,389)</u>
<b>Fund Balances:</b>				
Beginning of period	35,921,699	22,256,942	31,369,798	39,731,243
Prior period adjustments	<u>1,327,058</u>	<u>257,920</u>		<u>(97,790)</u>
Beginning of period, as restated	<u>37,248,757</u>	<u>22,514,862</u>	<u>31,369,798</u>	<u>39,633,453</u>
Increase (Decrease) in reserve for inventory	<u>21,867</u>	<u>(70,072)</u>	<u>76,256</u>	<u>734</u>
End of period	<u>\$ 135,227,353</u>	<u>35,921,699</u>	<u>22,256,942</u>	<u>31,369,798</u>

\*SOURCE - PRIOR YEAR AUDIT

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE



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

Superintendent and School Board  
Jackson 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, 2009, which collectively comprise Jackson Public School District's basic financial statements and have issued our report thereon dated May 24, 2011. 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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency in internal control over financial reporting. [Finding 2009-01]. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

However, we noted certain immaterial instances of noncompliance or other matters that we reported to



management of the school district in a separate letter dated May 24, 2011, which is included in this report.

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 on it.

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

Watkins, Ward, and Stafford PLLC

Jackson, Mississippi

May 24, 2011

*Watkins, Ward and Stafford PLLC*



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John N. Russell, CPA  
Thomas A. Davis, CPA  
Anita L. Goodrum, 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, 2009. The Jackson Public 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, 2009.

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 Jackson Public 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding **2009-02** to be a material weakness.

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 on it.

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.

Watkins, Ward & Stafford PLLC  
Jackson, MS  
May 24, 2011

*Watkins, Ward & Stafford PLLC*

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



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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, 2009, which collectively comprise Jackson Public School District's basic financial statements and have issued our report thereon dated May 24, 2011. 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 \$ 0 of classroom supply funds carried over from previous years.

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

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

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

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

- 1. The district should have the year-end financial statements available for audit on or before October 15, 2009.

Finding

Section 37-61-21(2), Miss. Code Ann. (1972), requires that Mississippi Public School Districts should have the year-end financial statements available for audit on or before October 15, 2009.

During our test work at Jackson Public School District, we noted that the district did not have the GASB 34 statements completed at the beginning of test work on May 31, 2010. The district provided copies of the old fund financial A's and B's, but the auditor was not provided the GASB 34 financial statements until December 16, 2010.

This noncompliance occurred because the district lacked proper training with respect to preparing the financial statements and performing the conversion process into modified accrual from cash.

Noncompliance with Section 37-61-21(2), Miss. Code Ann. (1972) could result in the district violating state laws regarding having year-end financial statements available for audit on or before October 15, 2009.

#### Recommendation

We recommend that the district comply with Section 37-61-21(2), Miss. Code Ann. (1972), which requires the district to have the year-end financial statements available for audit on or before October 15 of each year.

#### District's Response

While the District will still be in violation of this requirement for the year ended June 30, 2010, management has established a plan that will allow us to be in compliance with this requirement for the year ended June 30, 2011, and thereafter, by having year-end financial statements available for audit on or before October 15 of each year.

## 2. Forms 4Bs should be filed and reconciled at year end for all retirees

#### Finding

The Mississippi Public Employees Retirement System (PERS) requires, under the re-employment provisions of Section 25-11-127, Miss. Code Ann. (1972), school districts hiring PERS service retirees to file PERS Form 4B "Certification/Acknowledgment of Re-employment of Retiree" with the PERS office within five days from the date of employment of the retiree and within five days of termination of employment.

During our testing of internal controls related to payroll expenditures, it was noted the district did not file the forms at the termination period of the rehired retirees or reconcile the employee's salary at termination to prevent overpayment. Some employees tested were noted being over paid.

Lack of internal controls related to the payroll cycle resulted in district personnel not filing all of the necessary forms required for PERS service retirees.

The retirees' retirement income could be affected by the district not filing PERS Form 4B upon re-employment of PERS service retirees each year. In addition, the Mississippi Public Employees Retirement System may assess a penalty per occurrence payable by the district for not filing PERS Form 4B within five days of re-employment and within five days of termination of the service retiree.

#### Recommendation

We recommend the district implement procedures to ensure that the district files PERS Form 4B "Certification/Acknowledgment of Re-employment of Retiree" for all retirees rehired by the school district within five days of the employment and within five days of termination.

#### District's Response

The District has developed procedures to ensure that the Form 4-B is timely completed within five days of employment and within five days of termination.

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

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

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

Watkins, Ward & Stafford PLLC

Jackson, MS

May 24, 2011

*Watkins, Ward & Stafford PLLC*

JACKSON PUBLIC SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2009

SCHEDULE OF FINDINGS AND QUESTIONED COSTS



JACKSON PUBLIC SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2009

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs:  
Unqualified
5. Internal control over major programs:
  - a. Material weakness identified? Yes
  - b. Significant deficiency identified that is not considered to be material weakness? None Reported
6. Any audit finding reported as required by Section.510 (a) of Circular A-133? Yes
7. Federal programs identified as major programs:
  - a. Title I Grants to Local Educational Agencies  
CFDA # 84.010
  - b. Child Nutrition Cluster  
CFDA # 10.553  
CFDA # 10.555  
CFDA # 10.559
  - c. Improving Teacher Quality  
CFDA # 84.367
  - d. The schools and libraries program of the universal service fund  
CFDA # 32.XXX
8. The dollar threshold used to distinguish between type A and type B programs: \$1,267,821
9. Auditee qualified as a low-risk auditee? No
10. Prior fiscal year audit finding and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section .315(b) of OMB Circular A-133? No

JACKSON PUBLIC SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2009

Section 2: Financial Statement Findings

Significant Deficiency

District should maintain a separate debt service fund for recording QZAB activities

2009-01. Finding

Management is responsible for ensuring that all monies received and expended are stated by the District in its centralized and appropriate accounting record. This is done to ensure funds received were placed in the appropriate fund and expended as budgeted. Note 15 in the Notes to the Financial Statements describe the Qualified Zone Academy Bonds agreement between the district and a financier regarding payment arrangements to be performed in order to sufficiently retire said debt. Annually, the district makes a predetermined payment to a fiscal agent who in turn invests the funds. Overall, the District is responsible for tracking both payments and also recording investment earnings.

Audit procedures noted that the QZAB activities were being reported in the district maintenance fund and not in its own separate debt service fund. The financial statements had to be adjusted to properly record fund activities. At the end of the fiscal year, the account totaled \$1,561,990.47 of which \$96,549.17 was investment income earned since the inception of the account.

Failure to record the District transactions properly could result in a material misstatement and adversely affect proper reporting of financial statements.

Recommendation

The District should record audit adjustments proposed in the proper fund to ensure a proper fund account balance for the following fiscal year. Furthermore, close scrutiny should be paid to this bank account to ensure account activity is recorded in an accurate and timely manner in the District's accounting records.

JACKSON PUBLIC SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2009

Section 3: Federal Award Findings and Questioned Costs

Significant Deficiency Considered to be a Material Weakness:

2009-02 Finding

Program: Title I Fund – CFDA # 84.010

U.S. Department of Education; passed through the Mississippi Department of Education

Program: Special Education – Preschool Grants – CFDA # 84.173

U.S. Department of Education; passed through the Mississippi Department of Education

Program: State Grants for Innovative Programs – CFDA # 84.298

U.S. Department of Education; passed through the Mississippi Department of Education

Program: Improving Teacher Quality State Grants – CFDA # 84.367

U.S. Department of Education; passed through the Mississippi Department of Education

Program: Education Technology State Grants – CFDA # 84.318

U.S. Department of Education; passed through the Mississippi Department of Education

Program: Special Education – Grants to States – CFDA #84.027

U.S. Department of Education; passed through the Mississippi Department of Education

Program: Safe and Drug-Free Schools and Communities State Grants – CFDA # 84.186

U.S. Department of Education; passed through the Mississippi Department of Education

Compliance requirement: Cash Management

During testing the auditor noted excessive cash balances within multiple federal reimbursable funds.

The excessive cash balances were caused due to insufficient internal controls in cash management in the current year.

Excessive cash balances could cause the district to have questioned cost and reimburse federal programs the interest earned on federal funds.

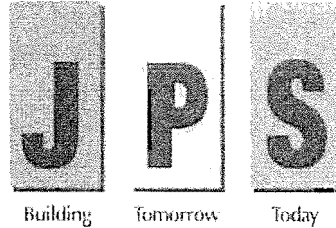
Recommendation:

The district should follow stronger internal controls to ensure that reimbursements are not requested until funds have been expended.

JACKSON PUBLIC SCHOOL DISTRICT

AUDITEE'S CORRECTIVE ACTION PLAN

Sharolyn Miller  
Chief Financial Officer



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Facsimile 601-960-8839  
Email [smiller@jackson.k12.ms.us](mailto:smiller@jackson.k12.ms.us)  
[www.jackson.k12.ms.us](http://www.jackson.k12.ms.us)

## CORRECTIVE ACTION PLAN

May 11, 2011

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, 2009.

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

2009-1 Corrective Action Planned:

Management has created the proper debt service fund to record the activity associated with the transfer of District funds and the subsequent payments of QZAB activities.

Anticipated Completion Date:

For the fiscal year ending June 30, 2010

Name of Contact Person Responsible for Corrective Action:

David Setzer, Director of Finance

### SECTION 3: FEDERAL AWARD FINDINGS

2009-2 Corrective Action Planned:

Management has implemented new procedures concerning cash management in connection with all Federal programs. Where in the past cash requests would include encumbrances and estimated payroll, the District now makes its cash requests based only on actual expenditures incurred.

Anticipated Completion Date:

For the fiscal year ending June 30, 2010

Name of Contact Person Responsible for Corrective Action:

David Setzer, Director of Finance

Sincerely yours,

A handwritten signature in black ink, appearing to read "Sharolyn Miller". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Sharolyn Miller  
Executive Director of Finance  
(601) 973-8543