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JONES COUNTY SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2005

JONES COUNTY SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2005

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

November 1, 2005

Superintendent and School Board
Jones County School District

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jones County School District as of and for the year ended June 30, 2005, which collectively comprise the Jones County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Jones County School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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 Jones County School District as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2005, on our consideration of the Jones County School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing 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 read in conjunction with this report in considering the results of our audit.

Superintendent and School Board
Jones County School District
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The Management's Discussion and Analysis on pages 3 through 12 and the Budgetary Comparison Schedule and corresponding notes on pages 38 – 39 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jones County School District's basic financial statements. The 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Holt & Associates PLLC

Holt & Associates, PLLC

November 1, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

**JONES COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

The discussion and analysis of Jones County School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2005. 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.

The Jones County School District is located in southeast Mississippi. The district is composed of 14 instructional locations, including 8 elementary schools for grades kindergarten to six, 3 middle/high schools for grades seven to twelve, 1 vocational center for grades ten to twelve, 1 gifted center for grades two to six, and 1 alternative school for grades six to twelve. The current enrollment for the district is approximately 7,900, and the district employs approximately 1,100 certified and non-certified workers.

FINANCIAL HIGHLIGHTS

- Total net assets increased \$1,941,166 in 2005 and \$3,917,767 in 2004, which represents increases of 7.3% and 17.26% respectively.
- General revenues account for \$16,119,215 in 2005 and \$16,992,836 in 2004, or 29.50% and 31.61% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$38,437,451 in 2005 and \$36,765,756 in 2004 or 70.34% and 68.39% of total revenues, respectively.
- Expenses amounted to \$52,705,969 in 2005 and \$49,744,128 in 2004; in 2005 \$38,437,451, and in 2004 \$36,765,756 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$16,119,215 and \$16,992,836, respectively, were adequate to provide for these programs.
- Among major funds, the General Fund had \$42,459,460 in revenues and \$40,164,509 in expenditures in 2005, in 2004 there were \$41,922,592 in revenues and \$38,216,241 in expenditures. The General Fund's fund balance increased \$1,012,796 in 2005, and increased \$1,817,471 in 2004.
- Capital assets, net of accumulated depreciation, decreased by \$437,338 in 2005, and increased by \$1,530,415 in 2004.

**JONES COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

- Long-term debt decreased by \$882,625 in 2005 and increased by \$4,432,154 in 2004, primarily as the result of debt proceeds to construct a new elementary school.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

The government-wide financial statements can be found on pages 14 - 15 of this report.

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current

**JONES COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the school district's operations.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 17 and 19 respectively.

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

The basic governmental fund financial statements can be found on pages 16 - 19 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Net Assets on page 20.

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 on pages 21 - 37 of this report.

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

**JONES COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$28,551,912 as of June 30, 2005 and \$26,610,746 as of June 30, 2004.

By far the largest portion of the District's net assets at June 30, 2005 and 2004 (58.87% and 63.18%) reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, mobile equipment, furniture and equipment, and construction in progress, less any related debt used to acquire those assets that is still outstanding). The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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

The following table presents a summary of the District's net assets for the fiscal years ended June 30, 2005 and 2004.

	<u>2005</u>	<u>2004</u>
Current assets	\$ 15,969,130	\$ 13,947,624
Capital assets, net	<u>37,645,313</u>	<u>37,985,094</u>
Total assets	<u>53,614,443</u>	<u>51,932,718</u>
Current liabilities	4,586,442	3,822,450
Long-term debt outstanding	<u>20,476,089</u>	<u>21,499,521</u>
Total liabilities	<u>25,062,531</u>	<u>25,321,971</u>
Net assets:		
Invested in capital assets, net of related debt	16,808,842	16,813,845
Restricted	9,426,105	8,283,051
Unrestricted	<u>2,316,965</u>	<u>1,513,851</u>
Total net assets	<u>\$ 28,551,912</u>	<u>\$ 26,610,747</u>

**JONES COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2005 and 2004 were \$54,647,135 and \$53,759,452, respectively. The total cost of all programs and services was \$52,705,969 in 2005 and \$49,744,128 in 2004. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2005 and 2004.

	<u>2005</u>	<u>2004</u>
Revenues:		
Program revenues	\$ 38,437,451	\$ 36,765,756
General revenues	16,119,215	16,992,836
Special revenues	<u>90,469</u>	<u>860</u>
Total revenues	<u>54,647,135</u>	<u>53,759,452</u>
Expenses:		
Instruction	32,774,692	30,720,989
Support services	15,204,188	14,845,741
Non-instructional	2,773,217	2,688,010
16th section	765,275	369,710
Interest on long-term liabilities	<u>1,188,597</u>	<u>1,119,678</u>
Total expenses	<u>52,705,969</u>	<u>49,744,128</u>
Increase in net assets	<u>\$ 1,941,166</u>	<u>\$ 4,015,324</u>

**JONES COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

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

	<u>2005</u>		<u>2004</u>	
	<u>Total Expenses</u>	<u>Net (Expense) Revenue</u>	<u>Total Expenses</u>	<u>Net (Expense) Revenue</u>
Instruction	\$ 32,774,692	\$ 34,298,187	30,720,989	\$ 33,975,665
Support Services	15,204,188	1,780,255	14,845,741	1,657,366
Non-instructional	2,773,217	1,015,122	2,688,010	990,153
Sixteenth Section	765,275	-	369,710	-
Interest on long-term liabilities	1,188,597	1,343,887	1,119,678	142,572
Total expenses	<u>\$ 52,705,969</u>	<u>\$ 38,437,451</u>	<u>\$ 49,744,128</u>	<u>\$ 36,765,756</u>

- Net cost of governmental activities in 2005 was \$14,268,518 and in 2004 was \$12,978,372 financed by general revenue, which is made up of primarily property taxes in 2005 and 2004 of \$10,381,102 and \$10,374,109, respectively, and state revenue of \$1,336,929 in 2005 and \$1,320,918 in 2004, and federal revenue of \$2,422,059 in 2005 and 2,250,143 in 2004, and Sixteenth Section revenue of 1,602,341 in 2005 and 1,412,150 in 2004.
- Investment earnings accounted for funding of \$271,254 in 2005 and \$129,753 in 2004.

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 \$12,662,541 in 2005, an increase of \$1,467,589 and \$11,197,578 in 2004, an increase of \$4,066,897. Of the fund balance, \$6,481,901 or 51.19% in 2005 and \$6,061,226 or 54.13% in 2004, constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining

**JONES COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

fund balance of \$4,347,234 or 34.33% in 2005 and \$5,136,352 or 45.87% in 2004, is reserved or designated to indicate that it is not available for spending because it has already been committed. The major reserve is for 16th section principal loans recorded as advances in the amount of \$3,815,308.

In accordance with the Office of the State Auditor, the 16th Section Principal loans are reflected as advances. As of June 30, 2005, the district has total loans from 16th Section Principal funds in the amount of \$3,815,308. In accordance with Mississippi statute, these funds were borrowed for the construction and purchase of capital assets. By Mississippi statute and by Board of Education authorization, these loans are to be repaid over 20 years, with repayment of \$324,982 due within one year, and repayment of \$2,534,553 due from five to twenty years. In the professional judgment of the district, this reporting does not comply with Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, since repayment is not expected within a reasonable time. The recording of the 16th Section Principal fund loans as advances does not take into consideration the timing of the repayment of the loans. Repayment is to be made over a period of twenty years. However, the district has complied with the reporting requirements of the Office of the State Auditor.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for fiscal year 2005 was \$1,012,796. The Board of Education has designated \$2,000,000 of this fund balance for future capital construction. The fund balances in all other funds increased a total of \$454,793.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget. Some of the significant adjustments are described below.

Revenues from all increased. The amount for annual repayment of 16th section principal fund advances was originally shown as a debt service budget expenditure. The repayment of the advance was revised in the final budget. The final budget reflected the total 16th section royalty revenue with the corresponding expenditure for the amount due to other districts based upon the place of residency of the specific students.

The budget was also revised to reflect the completion of construction of new buildings.

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

**JONES COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The District's total capital assets as of June 30, 2005 were \$54,437,862 and \$53,590,766 as of June 30, 2004, including school buildings, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$547,096 from the previous year. During the 2005 year, the district completed construction of a new Moselle Elementary School and completed repairs and renovations to West Jones High School. Total accumulated depreciation as of June 30, 2005 was \$16,792,549 and total depreciation expense was \$1,307,131. Total accumulated depreciation as of June 30, 2004 was \$15,605,672. Total net assets were \$37,645,313 and \$37,985,094, respectively.

Additional information of the District's capital assets can be found in Note 4 on page 30 - 31 of this report.

Debt Administration. At June 30, 2005 and 2004 the District had \$21,798,324 and \$22,620,949, respectively, in limited obligation bonds and other long-term debt outstanding, with \$1,322,235 in 2005 and \$1,121,428 in 2004 due within one year.

Additional information of the District's long-term debt can be found in Note 5 on page 31-35 of this report.

CURRENT ISSUES

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

The district completed construction on the new Moselle Elementary School. This new facility replaces a school building that was approximately 55 years old.

The District has committed itself to financial excellence for many years. The millage rate has decreased 3.92 mills over the past 43 years (58.69 in 2002, and 54.77 in 2005). In addition, the District's system of financial planning, budgeting and internal financial controls are well regarded. The District has received recognition from the Office of the State Auditor for financial reporting. The District plans to continue its sound fiscal management to meet the challenges of the future.

Student enrollment increased at the start of the 2005-06 school year to 8,086 students from 7,907 students at the start of the 2004-05 school year. The district is the 8th largest school district in the State of Mississippi.

**JONES COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

Based upon the State of Mississippi school accountability system, six of the district's schools are rated Level 5 "Superior" and three of the district's schools are rated Level 4 "Exemplary."

On August 29, 2005, the District and the area was seriously impacted by Hurricane Katrina. Even with the wide and serious destruction, the district was able to restore regular school operations within 14 school days. The facility damage was covered by property insurance coverage. The district expects no financial impact as a result of the hurricane. The district is seeking to maximize all available resources to ensure the continued improvement of school facilities.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Jones County School District, 5204 Highway 11 North, Ellisville, MS 39437.

FINANCIAL STATEMENTS

**JONES COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005**

EXHIBIT A

	Primary Government Governmental Activities
ASSETS:	
Cash and cash equivalents (Note 2)	\$ 13,007,356
Due from Other Governments	2,068,138
Accrued Interest Receivable	31,056
Inventories and prepaid items	365,331
Deferred charges	117,121
Restricted assets	380,128
Capital assets, net (Note 4)	<u>37,645,313</u>
TOTAL ASSETS	<u>\$ 53,614,443</u>
 LIABILITIES:	
Accounts payable and accrued liabilities	\$ 3,136,119
Deferred Revenue	36,699
Interest payable on long term liabilities	91,389
Long-term liabilities (Due within one year) (Note 5)	
Capital related liabilities	1,226,060
Non-capital related liabilities	96,175
Long-term liabilities (Due beyond one year) (Note 5)	
Capital related liabilities	19,777,005
Non-capital related liabilities	<u>699,084</u>
TOTAL LIABILITIES	<u>\$ 25,062,531</u>
 NET ASSETS:	
Investment in capital assets (net of related debt)	\$ 16,808,842
Restricted net assets:	
Expendable:	
School-Based Activities	1,944,665
Debt Service	1,121,666
Forestry Improvements	127,046
Unemployment Benefits	148,491
Nonexpendable:	
Sixteenth Section	6,084,237
Unrestricted:	<u>2,316,965</u>
TOTAL NET ASSETS	<u>\$ 28,551,912</u>

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

**JONES COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004**

EXHIBIT B

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>
Primary Government:					
Governmental Activities:					
Instruction	\$ 32,774,692	\$ 1,562,153	\$ 32,736,034	\$ -	\$ 1,523,495
Support Services	15,204,188	-	1,780,255	-	(13,423,933)
Non-instructional	2,773,217	943,565	71,557	-	(1,758,095)
Sixteenth Section	765,275	-	-	-	(765,275)
Interest & other expenses on long-term liabilities	1,188,597	-	142,572	1,201,315	155,290
Total governmental activities	<u>\$ 52,705,969</u>	<u>\$ 2,505,718</u>	<u>\$ 34,730,418</u>	<u>\$ 1,201,315</u>	<u>(14,268,518)</u>
			General Revenues:		
			Taxes:		
			General purpose levies	9,860,605	
			Debt purpose levies	520,497	
			Unrestricted grants & contributions:		
			State	1,336,929	
			Federal	2,422,059	
			Unrestricted investment earnings	271,254	
			Sixteenth Section Sources	1,602,341	
			Other	105,530	
			Total General Revenues	16,119,215	
			Special Items:		
			Sale of Other Property	100	
			Insurance Loss Recoveries	90,369	
			Total Special Items	90,469	
			Total General Revenues and Special Items	16,209,684	
			Change in Net Assets	1,941,166	
			Net Assets - Beginning	26,708,303	
			Prior Period Adjustment (Note 9)	(97,557)	
			Net Assets - Beginning-Restated	26,610,746	
			Net Assets - Ending	\$ 28,551,912	

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

**JONES COUNTY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2005**

EXHIBIT C

	<u>MAJOR FUNDS</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>16th Section Principal Fund</u>	<u>Other Governmental Funds</u>	
ASSETS:				
Cash and cash equivalents (Note 2)	\$ 7,900,992	\$ 2,618,790	\$ 2,487,574	\$ 13,007,356
Investments (Note 2)	-	-	380,128	380,128
Due from Other Governments	899,567	-	1,168,571	2,068,138
Other Receivables, Net	4,155	60	26,841	31,056
Due from other funds (Note 3)	516,830	295,721	2,256,736	3,069,287
Advances to other funds	-	3,815,308	-	3,815,308
Inventories and prepaid items	268,660	-	96,671	365,331
TOTAL ASSETS	<u>\$ 9,590,204</u>	<u>\$ 6,729,879</u>	<u>\$ 6,416,521</u>	<u>\$ 22,736,604</u>
LIABILITIES & FUND BALANCES:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 373,869	\$ 600,426	\$ 2,161,824	\$ 3,136,119
Due to other funds (Note 3)	2,303,573	45,216	720,498	3,069,287
Advances from other funds	3,815,308	-	-	3,815,308
Deferred Revenue	1,880	-	51,469	53,349
Total Liabilities	<u>6,494,630</u>	<u>645,642</u>	<u>2,933,791</u>	<u>10,074,063</u>
Fund Balances:				
Reserved For:				
Inventory	28,696	-	35,204	63,900
Prepaid Insurance	239,965	-	61,467	301,432
Advances	-	3,815,308	-	3,815,308
Unreserved:				
Designated, reported in:				
General Fund	2,000,000	-	-	2,000,000
Undesignated, reported in:				
General Fund	826,913	-	-	826,913
Special Revenue Funds	-	-	2,123,531	2,123,531
Capital Projects	-	-	166,594	166,594
Debt Service Funds	-	-	1,095,934	1,095,934
Permanent Funds	-	2,268,929	-	2,268,929
Total Fund Balances	<u>3,095,574</u>	<u>6,084,237</u>	<u>3,482,730</u>	<u>12,662,541</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 9,590,204</u>	<u>\$ 6,729,879</u>	<u>\$ 6,416,521</u>	<u>\$ 22,736,604</u>

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

**JONES COUNTY SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005**

EXHIBIT C-1

	Amount
Total Fund Balance - Governmental Funds	\$ 12,662,541
Amounts reported for net assets in the statement of net assets are different because:	
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$16,792,549. (Note 4)	37,645,313
2. Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. (Note 5)	117,121
3. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. (Note 5)	(21,798,324)
4. Interest accrued on long-term liabilities.	(91,389)
5. Revenues earned but unavailable from Sixteenth Section Sources.	16,650
Total Net Assets - Governmental Activities	\$ 28,551,912

**JONES COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

EXHIBIT D

	MAJOR FUNDS			Total Governmental Funds
	General Fund	16th Section Principal Fund	Other Governmental Funds	
REVENUES				
Local Sources	\$ 11,732,512	\$ 45,215	\$ 1,485,876	\$ 13,263,603
State Sources	30,350,939	-	2,427,176	32,778,115
Federal Sources	376,009	-	6,536,598	6,912,607
Sixteenth Section Sources	-	1,168,755	436,684	1,605,439
TOTAL REVENUES	42,459,460	1,213,970	10,886,334	54,559,764
EXPENDITURES				
Instruction	26,908,218	-	4,809,491	31,717,709
Support Services	12,974,588	-	2,039,795	15,014,383
Noninstructional Services	-	-	2,806,933	2,806,933
Sixteenth Section	-	600,427	164,851	765,278
Facilities Acquisition & Const.	85,146	-	787,880	873,026
Debt Service:				
Principal	36,705	-	1,072,081	1,108,786
Interest	159,852	-	1,025,201	1,185,053
TOTAL EXPENDITURES	40,164,509	600,427	12,706,232	53,471,168
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,294,951	613,543	(1,819,898)	1,088,596
OTHER FINANCING SOURCES (USES)				
Proceeds of loans	288,524	-	-	288,524
Insurance Loss Recoveries	90,369	-	-	90,369
Sale of other Property	100	-	-	100
Indirect Costs	76,980	-	(76,980)	-
Operating Transfers In	4,341,370	-	2,129,283	6,470,653
Operating Transfers Out	(6,079,498)	(45,215)	(345,940)	(6,470,653)
TOTAL OTHER FINANCING SOURCES (USES)	(1,282,155)	(45,215)	1,706,363	378,993
NET CHANGE IN FUND BALANCES	1,012,796	568,328	(113,535)	1,467,589
FUND BALANCE: JULY 1, 2004	2,075,394	5,515,909	3,606,275	11,197,578
INCREASE (DECREASE) IN RESERVE FOR INVENTORY	7,384	-	(10,010)	(2,626)
JUNE 30, 2005	\$ 3,095,574	\$ 6,084,237	\$ 3,482,730	\$ 12,662,541

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

**JONES COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005**

EXHIBIT D-1

Net Change in fund balances - governmental funds \$ 1,467,589

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 purchases amounted to \$1,017,820 and the depreciation expense amounted to \$1,307,131. The net loss on retirement of asset was \$50,470. (Note 4) | (339,781) |
| 2. Revenues in the statement of activity that do not provide current 16th section financial resources are not reported as revenues in the governmental funds. | (3,098) |
| 3. Proceeds of long-term liabilities is reported in the governmental funds, but not in the statement of activity. (Note 5) | (288,524) |
| 3. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of activity. (Note 5) | 1,111,149 |
| 4. Change in interest accrued on long-term liabilities not recorded in the governmental funds, but recorded and expensed in the statement of activity. | 25,704 |
| 5. Issuance cost for long-term liabilities is reported as expenditures in the governmental funds, but is deferred and amortized in the statement of activity. | (29,247) |
| 6. Increase (Decrease) in inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are increased (decreased) in the statement of activity. | <u>(2,626)</u> |

Change in net assets of governmental activities \$ 1,941,166

**JONES COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2005**

EXHIBIT E

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents (Note 2)	\$ <u>183,844</u>
TOTAL ASSETS	<u>183,844</u>
LIABILITIES	
Due to Student Clubs	<u>183,844</u>
TOTAL LIABILITIES	<u>\$ 183,844</u>

**JONES COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the School District's governing board. As defined by accounting principles generally accepted in the United States of America, the School District is considered a "primary government." The School District is governed by a five member board which each member was elected by the citizens of each defined county District.

B. Basis of Presentation

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

Governmental-Wide Financial Statements:

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

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

**JONES COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements:

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

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. Revenue are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

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

The School District reports the following major governmental funds:

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

Sixteenth Section Principal Fund – This is the fund that accounts for all revenues and expenditures of sixteenth section fund that are nonexpendable.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of Exhibit C.

**JONES COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Additionally the School District reports the following fund types:

GOVERNMENTAL FUNDS

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

Capital Projects Funds – Capital Project 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. The primary sources is revenue received from the State of Mississippi under the authority of the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Mississippi Code Annotated, (1972). Other revenue consists of local property taxes levied specifically for debt service.

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

FIDUCIARY FUNDS

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

D. Account Classifications.

The account classifications used in the financial statements conform to the classifications prescribed in the *Financial Accounting Manual for Mississippi Public School Districts* issued by the Office of the State Auditor. The classifications in that manual are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 1990* issued by the U.S. Department of Education.

E. Encumbrances.

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

F. Cash and Cash Equivalents.

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

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

**JONES COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Investments.

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

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

H. Inventories and Prepaid Items.

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

The costs of government-wide fund type inventories are reported as expenditures when purchased.

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

I. Capital Assets.

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

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements and proprietary funds. Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

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

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

**JONES COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Long-term Liabilities.

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

K. Interfund Transactions and Balances.

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

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

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

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3 for details for interfund transactions, including receivables and payables at year-end.

L. Equity Classifications.

Government-Wide Financial Statements:

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

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

**JONES COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements:

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

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

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

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

Reserved for advances – An account used to offset advances recorded in the asset accounts since they do not constitute available spendable resources and are not a component of net current assets.

Fund designations are portions of fund equity that are segregated by the board for specific purposes. The board designated \$2,000,000 for future capital construction.

M. Property Taxes.

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

N. Minimum Adequate Education Program Revenues.

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

O. Compensated Absences.

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

**JONES COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

P. Other Significant Accounting Policies.

The Debt Service Funds for long-term debt issued prior to April 15, 1986, under the provisions of Section 37-59-101, Miss. Code Ann. (1972), et seq., and prior to March 3, 1987, under the provisions of Section 37-59-1, Miss. Code Ann. (1972), et seq., are maintained by the governing authority of the county and are not included in the government-wide financial statements of the School District. The borrowing of money by the issuance of the debt referred to above was a function of the governing authority of the county prior to April 15, 1986 or March 3, 1987, as the case may be.

In our state, school boards and superintendents had not responsibility in connection with the debt issued before the dates referred to above. The payment of this debt is an obligation of the governing authority of the county who is acting for the school district.

In connection with any debt issued subsequent to the dates referred to above, the School board is responsible for the issuance and maintenance of School District related debt.

(2) CASH AND CASH EQUIVALENTS AND INVESTMENTS.

Cash and Cash Equivalents.

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

The carrying amount of the School District's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$13,007,356 and \$183,844, respectively. The carrying amount of deposits reported in the government-wide statements was: Cash and cash equivalents \$13,007,356 and Restricted Assets (Investments) \$380,128. The Restricted assets represents the cash balance of the 16th section Principal funds (Permanent Funds) which is legally restricted and may not be used for purposes that support the District's programs. The bank balance was \$16,574,728.

**JONES COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

(2) CASH AND CASH EQUIVALENTS AND INVESTMENTS.

Investments.

Except for nonparticipating investment contracts and for participating interest-earning investment contracts and money market investments that had a remaining maturity at the time of purchase of one year or less, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. Participating interest-earning investment contracts and money market investments that had a remaining maturity at time of purchase of one year or less are reported at amortized cost.

Investments made by the school district that are included on the balance sheet consists of insured or registered or for which the securities are held by the school district or its agent in the school district's name.

Investments are included on the Statement of Net Assets in Restricted Assets.

(3) INTERFUND TRANSACTIONS AND BALANCES.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	<u>Due From</u>	<u>Due To</u>
Major Funds:		
General Fund	\$516,830	\$2,303,573
Sixteenth Section Principal Fund	295,721	45,216
Non-Major Funds:	<u>2,256,736</u>	<u>720,498</u>
Total Funds	<u>\$3,069,287</u>	<u>\$3,069,287</u>

B. Transfers In/Out:

	<u>Transfer In</u>	<u>Transfer Out</u>
Major Funds:		
General Fund	\$4,341,370	\$6,079,498
Sixteenth Section Principal Fund	0	45,215
Non-Major Funds:	<u>2,129,283</u>	<u>345,940</u>
Total Funds	<u>\$6,470,653</u>	<u>\$6,470,653</u>

**JONES COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

(3) INTERFUND TRANSACTIONS AND BALANCES (CONTINUED)

C. Advances From/To Other Funds:

	<u>Advances From</u>	<u>Advances To</u>
Major Funds:		
General Fund	\$ 0	\$3,815,308
Sixteenth Section Principal Fund	<u>3,815,308</u>	<u>0</u>
 Total Funds	 <u>\$3,815,308</u>	 <u>\$3,815,308</u>

The sixteenth section principal loans payable is not reflected on the Statement of Net Assets because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions were reflected on Exhibit D-1.

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 324,982	\$ 152,612	\$ 477,594
2007	324,982	139,613	464,595
2008	304,982	126,614	431,596
2009	284,982	114,415	399,397
2010	282,982	103,015	385,997
2011 - 2015	1,294,909	350,887	1,645,796
2016 - 2020	724,994	130,819	855,813
2021 - 2025	<u>272,495</u>	<u>23,635</u>	<u>296,130</u>
 Total	 <u>\$3,815,308</u>	 <u>\$1,141,610</u>	 <u>\$4,956,918</u>

**JONES COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

(4) CAPITAL ASSETS

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

	<u>Balance 7/1/2004</u>	<u>Prior Period Adjustments</u>	<u>Additions</u>	<u>Retirements</u>	<u>Construction Completed</u>	<u>Balance 6/30/2005</u>
<u>Non-depreciable capital assets:</u>						
Land	\$ 515,949	\$ -	\$ 66,020	\$ -	\$ -	\$ 581,969
Construction in progress	9,702,230	-	807,006	-	(10,499,264)	9,972
Total Non-depreciable capital assets	<u>10,218,179</u>	<u>-</u>	<u>873,026</u>	<u>-</u>	<u>(10,499,264)</u>	<u>591,941</u>
<u>Depreciable capital assets:</u>						
Buildings	38,312,707	(406,331)	-	106,008	5,107,842	42,908,210
Building Improvements	955,954	-	-	-	5,391,422	6,347,376
Mobile equipment	2,596,640	-	31,621	-	-	2,628,261
Furniture and equipment	1,866,114	47,504	113,172	64,716	-	1,962,074
Total depreciable capital assets	<u>43,731,415</u>	<u>(358,827)</u>	<u>144,793</u>	<u>170,724</u>	<u>10,499,264</u>	<u>53,845,921</u>
<u>Less Accumulated Depreciation for:</u>						
Buildings	11,958,613	(288,586)	818,884	63,605	-	12,425,306
Building Improvements	478,132	-	230,743	-	-	708,875
Mobile equipment	1,849,413	-	148,531	-	-	1,997,944
Furniture and equipment	1,580,784	27,316	108,973	56,649	-	1,660,424
Total Accumulated Depreciation	<u>15,866,942</u>	<u>(261,270)</u>	<u>1,307,131</u>	<u>120,254</u>	<u>-</u>	<u>16,792,549</u>
Total Depreciable Capital Assets, Net	<u>27,864,473</u>	<u>(97,557)</u>	<u>(1,162,338)</u>	<u>50,470</u>	<u>10,499,264</u>	<u>37,053,372</u>
Governmental Activities Capital Assets, Net	<u>\$ 38,082,652</u>	<u>\$ (97,557)</u>	<u>\$ (289,312)</u>	<u>\$ 50,470</u>	<u>\$ -</u>	<u>\$ 37,645,313</u>

**JONES COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

(4) CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$1,080,193
Support Services	197,136
Noninstructional	<u>29,802</u>
 Total depreciation expense	 <u>\$1,307,131</u>

The capital assets above include significant amounts of buildings and furniture and fixtures 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.

Adjustments have been made to the beginning year amounts due to assets that were included in prior year that were either less than the threshold amounts or that had been disposed of and the asset not deleted from the records.

There were no outstanding construction commitments as of June 30, 2005.

(5) LONG TERM LIABILITIES

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

	Balance 7/1/2004	Additions	Reductions	Balance 6/30/2005	Amounts due w/in one yr
A. General Oblig. Bonds Payable	\$ 2,755,000	\$ -	\$ 230,000	\$ 2,525,000	\$ 240,000
B. Limited Oblig. Bonds Payable	12,525,000	-	600,000	11,925,000	630,000
D. Three Mill Notes Payable	6,500,000	-	30,000	6,470,000	325,000
E. Shortfall Notes Payable	72,193	288,524	72,193	288,524	96,175
F. Oblig. under Capital Lease	259,658	-	176,593	83,065	31,060
G. Comp. Absences Payable	509,098	-	2,363	506,735	-
 Total	 <u>\$ 22,620,949</u>	<u>\$ 288,524</u>	<u>\$ 1,111,149</u>	<u>\$ 21,798,324</u>	<u>\$ 1,322,235</u>

**JONES COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

(5) LONG-TERM LIABILITIES (CONTINUED)

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:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
2003 Refunding Bonds (COP)	1.25-4.2%	8/28/2003	2/1/2016	2,410,000	2,265,000
2003 Refunding Bonds (Glade)	1.25-4.2%	8/28/2003	2/1/2016	<u>345,000</u>	<u>260,000</u>
Total				<u>\$ 2,755,000</u>	<u>\$ 2,525,000</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 240,000	\$ 80,534	\$ 320,534
2007	240,000	76,546	316,546
2008	280,000	71,803	351,803
2009	195,000	66,153	261,153
2010	200,000	60,303	260,303
2011 - 2015	1,115,000	189,065	1,304,065
2016 - 2020	<u>255,000</u>	<u>10,710</u>	<u>265,710</u>
Total	<u>\$2,525,000</u>	<u>\$555,113</u>	<u>\$3,080,113</u>

The amount of bonded indebtedness that can be incurred by the School District is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such District, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2005, the amount of outstanding bonded indebtedness was equal to 1.09% of property assessments as of August 16, 2004.

This debt will be retired from the 2003 Refunding Debt Service fund.

**JONES COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

(5) LONG-TERM LIABILITIES (CONTINUED)

B. Limited Obligation Bonds Payable

Limited obligation bonds are direct obligations and pledge the full faith and credit of the School District. Limited obligation bonds currently outstanding are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State Aid Capital Improvement:					
1997 Series	4.4-6.25%	12/10/1997	12/15/2017	\$ 5,500,000	\$ 4,530,000
1998 Series	4.3-6.0%	4/20/1998	2/1/2018	<u>8,960,000</u>	<u>7,395,000</u>
Total				<u>\$ 14,460,000</u>	<u>\$ 11,925,000</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 630,000	\$ 548,328	\$ 1,178,328
2007	675,000	512,858	1,187,858
2008	700,000	479,313	1,179,313
2009	735,000	447,835	1,182,835
2010	775,000	414,343	1,189,343
2011 – 2015	4,365,000	1,501,173	5,866,173
2016 – 2020	<u>4,045,000</u>	<u>364,688</u>	<u>4,409,688</u>
Total	<u>\$11,925,000</u>	<u>\$4,268,535</u>	<u>\$16,193,535</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 is being retired from the State Aid Debt Service Fund.

**JONES COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

(5) LONG-TERM LIABILITIES (CONTINUED)

D. Three mill notes payable

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Limited Tax Notes Series 2003	1.25%-4.35%	8/4/2003	10/1/2020	\$6,500,000	\$6,470,000

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 325,000	\$ 227,881	\$ 552,881
2007	330,000	223,819	553,819
2008	335,000	218,539	553,539
2009	340,000	211,504	551,504
2010	345,000	201,304	546,304
2011 – 2015	1,915,000	814,834	2,729,834
2016 – 2020	2,350,000	350,078	2,700,078
2021 – 2025	<u>530,000</u>	<u>23,055</u>	<u>553,055</u>
Total	<u>\$6,470,000</u>	<u>\$2,271,013</u>	<u>\$8,741,013</u>

This debt is retired from the Three Mill Refunding Escrow Fund.

E. Shortfall Notes Payable

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
2004 Shortfall	1.98%	9/23/2004	9/23/2007	<u>\$ 288,524</u>	<u>\$ 288,524</u>

**JONES COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

(5) LONG-TERM LIABILITIES (CONTINUED)

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 96,175	\$3,833	\$100,008
2007	96,175	3,833	100,008
2008	<u>96,174</u>	<u>3,834</u>	<u>100,008</u>
	<u>\$288,524</u>	<u>\$11,500</u>	<u>\$300,024</u>

This debt is retired from the Shortfall Debt Service Fund.

E. Obligations under Capital Lease

The School District has entered into lease agreements that qualify as capital leases for accounting purposes. Leased property under these leases are composed of software, communications equipment, and timekeeping equipment system. These assets are not capitalized due to the individual components being less than the threshold amounts.

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest and Maintenance Charges</u>	<u>Total</u>
2006	\$31,060	\$1,977	\$33,037
2007	18,999	1,348	20,347
2008	19,598	749	20,347
2009	<u>13,408</u>	<u>157</u>	<u>13,565</u>
Total	<u>\$83,065</u>	<u>\$4,231</u>	<u>\$87,296</u>

All of this debt will be retired from the General Fund.

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.

F. Compensated Absences Payable

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

(6) DEFINED BENEFIT PENSION PLAN

Plan Description. The Jones County School District contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes

**JONES COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

(6) DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 Jones County School District is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The Jones County School District's contributions to PERS for the fiscal years ending June 30, 2005, 2003, and 2002 were \$2,821,821, \$2,622,138 and \$2,452,202 respectively, which equaled the required contributions for each year.

(7) SIXTEENTH SECTION LANDS

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

<u>Year Ending June 30.</u>	<u>Amount</u>
2006	\$127,240
2007	\$125,269
2008	\$109,407
2009	\$97,914
2010	\$87,065

(8) 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.

(9) PRIOR PERIOD ADJUSTMENTS

Government wide financial statements have been adjusted to reflect a change in the prior period fixed assets. Assets that were either below the threshold amounts or had been disposed of but remained on the subsidiary ledgers were included in the prior period. The following is a summary of the change to beginning net assets:

Fixed assets	\$ 358,827
Accumulated depreciation	<u>(261,270)</u>
Prior Period Adjustment	<u>\$97,557</u>

**JONES COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005**

(10) *SUBSEQUENT EVENTS*

Hurricane Katrina damaged school property on August 29, 2005. Because of the damage and the loss of essential services, i.e., power, water, and fuel for transportation, the schools could not reopen until September 19, 2005. The preliminary estimates of the damage are not available at this time. However, it is estimated that insurance coverage will be adequate for the required repairs.

REQUIRED SUPPLEMENTARY INFORMATION

**JONES COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005**

SCHEDULE 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Local Sources	\$ 11,674,329	\$ 11,925,329	\$ 11,732,512	\$ 251,000	\$ (192,817)
State Sources	30,284,111	30,299,111	30,350,939	15,000	51,828
Federal Sources	610,532	610,532	376,009	-	(234,523)
Sixteenth Section Sources	-	-	-	-	-
TOTAL REVENUES	<u>42,568,972</u>	<u>42,834,972</u>	<u>42,459,460</u>	<u>266,000</u>	<u>(375,512)</u>
EXPENDITURES					
Instruction	27,121,142	27,294,942	26,908,218	(173,800)	386,724
Support Services	13,331,206	13,241,669	12,974,588	89,537	267,081
Noninstructional Services	-	-	-	-	-
Sixteenth Section	-	-	-	-	-
Facilities Acquisition & Const.	-	86,021	85,146	(86,021)	86,021
Debt Service:					
Principal	503,153	177,515	36,705	325,638	177,515
Interest	-	-	159,852	-	(36,705)
TOTAL EXPENDITURES	<u>40,955,501</u>	<u>40,800,147</u>	<u>40,164,509</u>	<u>155,354</u>	<u>635,638</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,613,471</u>	<u>2,034,825</u>	<u>2,294,951</u>	<u>421,354</u>	<u>260,126</u>
OTHER FINANCIAL SOURCES (USES)					
Other financing sources	4,181,843	4,856,694	4,797,343	674,851	(59,351)
Other financing (uses)	(5,713,983)	(6,080,517)	(6,079,498)	(366,534)	1,019
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,532,140)</u>	<u>(1,223,823)</u>	<u>(1,282,155)</u>	<u>308,317</u>	<u>(58,332)</u>
NET CHANGE IN FUND BALANCES	81,331	811,002	1,012,796	729,671	201,794
FUND BALANCE: JULY 1, 2004	236,612	2,073,070	2,075,394	1,836,458	2,324
INCREASE (DECREASE) IN RESERVE FOR INVENTORY	-	-	7,384	-	7,384
JUNE 30, 2005	<u>\$ 317,943</u>	<u>\$ 2,884,072</u>	<u>\$ 3,095,574</u>	<u>\$ 2,566,129</u>	<u>\$ 211,502</u>

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

**JONES COUNTY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2005**

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget amendments and revisions.

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

**JONES COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

SCHEDULE 2

Federal Grantor/ Pass-Through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>		
Direct:		
Conservation Reserve Program	10.069	\$ 6,991
Passed-Through Mississippi Dept. of Education:		
Non-Cash Assistance:		
Food Distribution	10.550	<u>174,027</u>
Child Nutrition Cluster		
School Breakfast Program	10.553	493,394
National School Lunch Program	10.555	<u>1,390,905</u>
Total Child Nutrition Cluster		1,884,299
Distance Learning and Telemedicine Loans and Grants	10.855	<u>1,803</u>
Total U.S. Dept. of Agriculture		<u>2,067,120</u>
 <u>U.S. DEPARTMENT OF COMMERCE</u>		
Passed-through Mississippi Department of Education:		
Telecommunications and information infrastructure assistance program	11.552	<u>166,162</u>
Total U.S. Department of Commerce		<u>166,162</u>
 <u>U.S. DEPARTMENT OF EDUCATION</u>		
Passed-Through Mississippi Board of Community and Junior Colleges:		
Adult Education-state grant program	84.002	<u>79,233</u>
Passed-Through Mississippi Dept. of Education:		
Title I Grants to Local Educational Agencies	84.010	1,686,209
Migrant Education - Basic State Grant Program	84.011	196,521
Vocational Education - Basic Grants to States	84.048	83,077
Safe and Drug Free Schools and Communities - State Grants	84.186	59,227
Improving Teacher Quality - State Grants	84.367	596,800
Innovative Education Program Strategies	84.298	36,544
E2T2 Grant	84.318	94,947
School Renovation, IDEA, and Technology Grants	84.352	<u>22,681</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	1,548,583
Special Education - Preschool Grants	84.173	<u>58,529</u>
Total		<u>1,607,112</u>
Total Passed-Through MDE		<u>4,383,118</u>
Total U.S. Department of Education		<u>4,462,351</u>
 Total for all Federal Awards		 <u>\$ 6,695,633</u>

NOTES TO THE SCHEDULE:

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

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

HOLT & ASSOCIATES, PLLC

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

November 1, 2005

Superintendent and School Board
Jones County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jones County School District as of and for the year ended June 30, 2005, and have issued our report thereon dated November 1, 2005. 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 *Governmental 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be a material weakness. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance that are required to be reported under *Governmental Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated November 1, 2005, which is included in this report.

Superintendent and School Board
Jones County School District
Page 2

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.

Holt & Associates PLLC

Holt & Associates, PLLC

November 1, 2005

HOLT & ASSOCIATES, PLLC

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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

November 1, 2005

Superintendent and School Board
Jones County School District

Compliance

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

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

In our opinion, Jones County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2005-1.

Internal Control Over Compliance

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

Superintendent and School Board
Jones County School District
Page two

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Jones County School District's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. A reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as items 2005-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the School board, 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.

Holt & Associates PLLC

Holt & Associates, PLLC

November 1, 2005

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

HOLT & ASSOCIATES, PLLC

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

November 1, 2005

Superintendent and School Board
Jones County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Jones County School District as of and for the year ended June 30, 2005, and have issued our report thereon dated November 1, 2005. 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*.

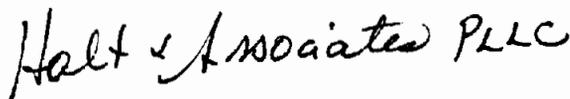
Section 37-9-18(3), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the School District is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program 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 \$38,734 of classroom supply funds carried over from previous years.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed no instances of noncompliance with other state laws and regulations.

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

This report is intended for the information 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.



Holt & Associates, PLLC

November 1, 2005

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Section 1: Summary of Auditor's Results

Financial Statements:

- | | |
|--|--------------------|
| 1. Type of auditor's report issued on the general purpose financial statements: | <u>Unqualified</u> |
| 2. Material noncompliance relating to the general purpose financial statements? | <u>No</u> |
| 3. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | <u>No</u> |
| b. Reportable condition(s) identified that are not considered to be material weaknesses? | <u>No</u> |

Federal Awards:

- | | |
|--|--------------------|
| 4. Type of auditor's report issued on compliance for major federal programs: | <u>Unqualified</u> |
| 5. Internal control over major programs: | |
| a. Material weakness(es) identified? | <u>No</u> |
| b. Reportable condition(s) identified that are not considered to be material weaknesses? | <u>Yes</u> |
| 6. Any audit finding(s) reported as required by section __.510(a) of Circular A-133? | <u>Yes</u> |
| 7. Federal programs identified as major programs: | |
| a. Cluster: <u>Child Nutrition</u> | |
| CFDA #: <u>10.553</u> | |
| CFDA #: <u>10.555</u> | |
| b. <u>Title I Grants to Local Educational Agencies: CFDA #: 84.010</u> | |

- | | |
|---|------------------|
| 8. The dollar threshold used to distinguish between type A and type B programs: | <u>\$300,000</u> |
| 9. Auditee qualified as a low-risk auditee? | <u>No</u> |
| 10. Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section _____.315(b) of OMB Circular A-133? | <u>Yes</u> |

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs

Finding 2005-1:

Federal Program: Title I Grants to Local Educational Agencies: CFDA #: 84.010

Compliance Requirement: Cash Management

Condition: The School District requested cash that was not for the immediate needs of the School District causing excess cash during several months of the fiscal year.

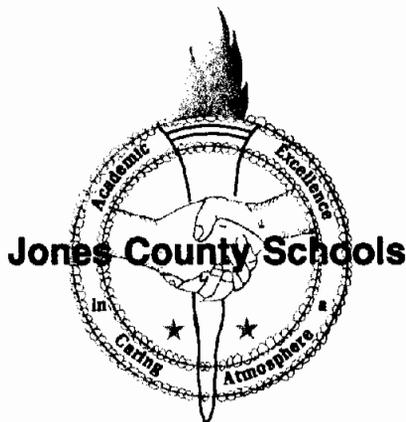
Finding 2005-2:

Federal Program: Child Nutrition: CFDA #: 10.553 and 10.555

Compliance Requirement: Allowable Costs/Costs Principles

Condition: In testing forty expenditures for control procedures over allowable costs/costs principles, the following exceptions were noted: three purchase orders were dated after the invoice date, one purchase order was not dated, one invoice included items not on the purchase order, three invoices were not paid within forty-five days, and three invoices were miscoded.

**AUDITEE'S CORRECTIVE ACTION PLAN AND
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**



Jones County Schools

Thomas C. Prine
Superintendent of Education
5204 HWY 11 North
Ellisville, MS 39437
Telephone (601) 649-5201
Fax (601) 649-1613

AUDITEE'S CORRECTIVE ACTION PLAN
AND
SCHEDULE OF PRIOR AUDIT FINDINGS

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

Finding: **Corrective Action Plan Details:**

- 2005-1:
- a. Name of Contact Person Responsible for Corrective Action:
Scott L. Lewis, Business Manager, (601) 649-5201
 - b. Corrective Action Planned:
The amount of cash requested to meet immediate needs of the district will be evaluated to ensure that excess cash is not received.
 - c. Anticipated Completion Date:
Already Completed.
- 2005-2:
- a. Name of Contact Person Responsible for Corrective Action:
Lynn Lyon, Food Service Director, (601) 649-5201
 - b. Corrective Action Planned:
Purchase orders will be prepared properly, timely, and include all items to be purchased. Invoices will be paid timely with correct expense coding.
 - c. Anticipated Completion Date:
Immediately.

As required by Section__315(b) of OMB Circular A-133, the Jones County School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2004:

<u>Finding:</u>	<u>Corrective Action Taken:</u>
2004-1:	This finding has been repeated in the current year audit.
2004-2:	Corrective Action was taken.
2004-3:	This finding has been repeated in the current year audit.