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**JONES COUNTY SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2008**

JONES COUNTY SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2008

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

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 the Jones County School District as of and for the year ended June 30, 2008, 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 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 Jones County School District, as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2009, 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 of internal control over financial reporting and

compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 4 through 12 and the Budgetary Comparison Schedule and corresponding notes on pages 45 through 47 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Halt & Associates PLLC

January 5, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

**JONES COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

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

The Jones County School District is located in southeast Mississippi. The District is composed of 12 instructional locations, including 6 elementary schools for grades kindergarten to six, 3 middle/high schools for grades seven to twelve, one alternative school for grades six to twelve, one gifted center for grades two to six, and one vocational center for grades ten to twelve. The current enrollment is approximately 8,150 students, and the district employs approximately 1,300 certified and non-certified staff.

SIGNIFICANT EVENTS

On September 12, 2006, the voters of Jones County overwhelmingly approved the district's proposed \$37 million bond issue with a 90.5 percent approval vote. The district issued the related debt and immediately began renovations, additions and new construction on the district's campuses. A new elementary school was constructed to combine two existing schools into one campus. Significant renovations and buildings were added to the district's high schools. A major addition was made at one of the district's elementary schools to close one location and create a combined kindergarten to sixth grade facility.

The financial statement impact of these constructions represents a significant decrease in current assets as a result of spending of bond cash proceeds, and a significant increase in capital assets. The General Fund's fund balance decreased primarily as a result of decrease in market value of the district's investments at June 30, 2008, and an end of year reduction in state revenue.

FINANCIAL HIGHLIGHTS

- Total net assets increased \$8,323,912 in 2008 and \$4,772,307 in 2007, (including the effects of prior period adjustments) which represents an increase of 19.16% and 12.3% respectively.
- General revenues account for \$60,928,328 in 2008 and \$54,053,807 in 2007, or 82.7% and 80.9% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$12,779,565 in 2008 and \$12,788,968 in 2007 or 17.3 % and 19.1% of total revenues, respectively.

**JONES COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

- The District had expenses of \$65,458,513 in 2008 and \$62,111,195 in 2007; only \$12,779,565 in 2008 and \$12,788,968 in 2007 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$60,928,328 and \$54,053,807, respectively, were adequate to provide for these programs.

- Among major funds, the General Fund had \$53,672,635 in revenues and \$50,941,064 in expenditures in 2008; in 2007 there were \$50,198,095 in revenues and \$48,267,815 in expenditures. The General Fund's fund balance decreased \$324,492 in 2008, and increased \$1,253,768 in 2007.

- Capital assets, net of accumulated depreciation, increased by \$31,845,216 in 2008, primarily due to construction in progress, and increased by \$4,892,930 in 2007.

- Long-term debt decreased by \$2,099,581 in 2008, and increased \$36,107,587 in 2007, which was primarily due to the issuance of new general obligations bonds for the improvement of the district's facilities.

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.

**JONES COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

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 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 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*. 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 - 21 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

**JONES COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

accounting is used for fiduciary funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The District's fiduciary activities are presented in separate Statements of Fiduciary Net Assets on page 20 and Statement of Changes in Fiduciary Net Assets on page 21.

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 22 - 44 of this report.

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

The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund. This required supplementary information can be found on pages 46 - 47 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133, a schedule of instructional, administrative and other expenditures for governmental funds, a schedule of revenues, expenditures, and change in fund balance – general fund for the last four years, and a schedule of revenues, expenditures, and changes in fund balance – governmental funds for the last four years can be found on pages 49-52 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 \$51,763,806 as of June 30, 2008 and \$43,439,894 as of June 30, 2007.

By far the largest portion of the District's net assets at June 30, 2008 and 2007 (47.12% and 44.67%) 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.

**JONES COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

The following table presents a summary of the District's net assets for the fiscal years ended June 30, 2008 and 2007.

	<u>2008</u>	<u>2007</u>	<u>Percentage Change</u>
Current assets	\$ 38,123,364	\$ 62,196,092	-39%
Capital assets, net	<u>73,758,878</u>	<u>41,913,662</u>	76%
Total assets	<u>111,882,242</u>	<u>104,109,754</u>	7%
Current liabilities	7,932,205	6,233,292	27%
Long-term debt outstanding	<u>52,186,231</u>	<u>54,436,568</u>	-4%
Total liabilities	<u>60,118,436</u>	<u>60,669,860</u>	-1%
Net assets:			
Invested in capital assets,			
net of related debt	25,333,645	19,402,888	31%
Restricted	26,063,370	14,972,430	74%
Unrestricted	<u>366,791</u>	<u>9,064,576</u>	-96%
Total net assets	<u>\$ 51,763,806</u>	<u>\$ 43,439,894</u>	19%

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

- Spending of bond proceeds as a result of new construction significantly decrease Current Assets and increased Capital Assets.
- Restricted Net Assets increased and Unrestricted Net Assets decreased as a result of construction in progress.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2008 and 2007 were \$73,707,893 and \$66,842,775, respectively. The total cost of all programs and services was \$65,458,513 in 2008 and \$62,111,195 in 2007. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2008 and 2007.

**JONES COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>2008</u>	<u>2007</u>	<u>Percentage Change</u>
Revenues:			
Program revenues			
Charges for services	\$ 2,976,912	\$ 2,802,394	6.23%
Operating grants and contributions	8,601,337	8,785,258	-2.09%
Capital grants and contributions	1,201,316	1,201,316	0.00%
General Revenues			
Taxes	12,553,768	11,973,826	4.84%
Unrestricted grants and contributions:	38,789,866	35,461,454	9.39%
Unrestricted investment earnings	1,971,367	1,789,585	10.16%
Donations	733,235	-	100.00%
16th Section sources	2,457,264	2,329,649	5.48%
Gain on disposition of assets	-	63,923	-100.00%
Other	<u>4,422,828</u>	<u>2,435,370</u>	<u>81.61%</u>
Total Revenues	<u>73,707,893</u>	<u>66,842,775</u>	<u>10.27%</u>
Expenses:			
Instruction	40,351,671	37,720,044	6.98%
Support Services	20,178,504	19,299,494	4.55%
Non-instructional	3,626,743	3,374,107	7.49%
16th Section	788,266	628,727	25.37%
Interest on long-term liabilities	<u>513,329</u>	<u>1,088,823</u>	<u>-52.85%</u>
Total Expenses	<u>65,458,513</u>	<u>62,111,195</u>	<u>5.39%</u>
Increase in Net Assets	<u>8,249,380</u>	<u>4,731,580</u>	<u>74.35%</u>
Net assets, July 1	43,439,894	38,667,587	12.34%
Prior period adjustment	<u>74,532</u>	<u>40,727</u>	<u>83.00%</u>
Net assets, July 1 (as restated)	<u>43,514,426</u>	<u>38,708,314</u>	<u>12.42%</u>
Net assets, June 30	<u>\$ 51,763,806</u>	<u>\$43,439,894</u>	<u>19.16%</u>

**JONES COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

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 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>2008</u>		<u>2007</u>	
	<u>Total Expenses</u>	<u>Net (Expense) Revenue</u>	<u>Total Expenses</u>	<u>Net (Expense) Revenue</u>
Instruction	\$ 40,351,671	\$ (33,195,554)	\$ 37,720,044	\$ (30,264,868)
Support Services	20,178,504	(15,940,988)	19,299,494	(17,582,591)
Non-instructional	3,626,743	(2,274,517)	3,374,107	218,106
16th Section	788,266	(754,560)	628,727	(604,051)
Interest on long-term liabilities	<u>513,329</u>	<u>(513,329)</u>	<u>1,088,823</u>	<u>(1,088,823)</u>
	<u>\$ 65,458,513</u>	<u>\$ (52,678,948)</u>	<u>\$ 62,111,195</u>	<u>\$ (49,322,227)</u>

- Net cost of governmental activities in 2008 was \$52,678,948 and in 2007 was \$49,322,227 financed by general revenue, which is made up of primarily property taxes in 2008 and 2007 of \$12,553,768 and \$11,973,826, respectively, and state revenue of \$38,521,853 in 2008 and \$34,671,333 in 2007, and federal revenue of \$268,013 in 2008 and \$790,121 in 2007, and Sixteenth section revenue of \$2,457,264 in 2008 and \$2,329,649 in 2007.
- Investment earnings accounted for funding of \$1,971,367 in 2008 and \$1,789,585 in 2007.

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 \$32,700,192 in 2008, a decrease of \$25,782,540 and \$58,482,732 in 2007, an increase of \$36,274,375. Of the fund balance, \$5,182,709 or 15.85% in 2008 and \$12,112,007 or 20.71% in 2007, constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$27,517,483 or 84.15% in 2008 and \$46,370,725 or 79.29% in 2007, is reserved or designated to indicate that it is not available for spending because it has already been committed.

**JONES COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for fiscal year 2008 was \$324,492. The fund balances in all other funds decreased a total of \$25,458,048.

BUDGETARY HIGHLIGHTS

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

- Local revenue from school level fund raising increased from amount originally budgeted.
- Repair costs as a result of Hurricane Katrina increase from amount originally budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The District's total capital assets as of June 30, 2008 were \$93,066,687 and \$60,826,694 as of June 30, 2007, including school buildings, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$32,239,993 from the previous year. Total accumulated depreciation as of June 30, 2008 was \$19,307,809 and total depreciation expense was \$1,534,100. Total accumulated depreciation as of June 30, 2007 was \$18,913,032. Total capital assets for 2008 and 2007, net were \$73,758,878 and \$41,913,662, respectively.

	<u>Capital Assets, Net of Depreciation</u>		<u>Percentage</u>
	<u>2008</u>	<u>2007</u>	<u>Change</u>
Land	\$ 868,970	\$ 868,970	0.00%
Construction in Progress	32,350,140	5,078,159	537.04%
Buildings	33,157,480	28,974,510	14.44%
Building Improvements	5,553,880	5,301,669	4.76%
Mobile Equipment	1,389,950	1,024,468	35.68%
Furniture & Equipment	438,458	665,886	-34.15%
	<u>\$ 73,758,878</u>	<u>\$ 41,913,662</u>	<u>75.98%</u>

Additional information of the District's capital assets can be found in Note 5 on page 34 - 35 of this report.

**JONES COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008**

Debt Administration. At June 30, 2008 and 2007 the District had \$54,593,426 and \$56,693,007, respectively, in general obligation bonds, limited obligation bonds and other long-term debt outstanding, with \$2,407,195 in 2008 and \$2,256,439 in 2007 due within one year.

	<u>Outstanding Debt</u>		Percentage <u>Change</u>
	<u>2008</u>	<u>2007</u>	
General obligation bonds payable	\$37,915,000	\$ 39,045,000	-2.89%
Three mill notes payable	5,480,000	5,815,000	-5.76%
Shortfall notes payable	229,020	327,074	-29.98%
Capital lease obligations	13,408	33,006	-59.38%
Limited obligation bonds payable	10,245,000	10,845,000	-5.53%
Compensated absences payable	<u>710,998</u>	<u>627,927</u>	<u>13.23%</u>
Total	<u>\$54,593,426</u>	<u>\$ 56,693,007</u>	<u>-3.70%</u>

Additional information of the District's long-term debt can be found in Note 6 on page 35 - 42 of this report.

CURRENT ISSUES

The district continues to complete construction projects in its facilities improvement plan. The district also began a classroom addition construction project at one of its elementary schools as a result of increased enrollment at that school. The district is also seeing an impact on the market value of its investments as a result of the current economic situation. However, these investments are primarily reserved for future construction plans, and are not needed for regular operations.

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, 2008**

EXHIBIT A

	<u>Governmental Activities</u>
ASSETS:	
Cash and cash equivalents	\$ 20,025,016
Investments	5,596,564
Other Receivables	1,397,339
Due from Other Governments	1,228,862
Due from Other Funds	171,507
Inventories and prepaid items	436,108
Deferred charges	398,092
Restricted assets	8,869,876
Capital assets, not being depreciated:	
Land	868,970
Construction in progress	32,350,140
Capital assets, net of accumulated depreciation:	
Buildings	33,157,480
Building Improvements	5,553,880
Mobile Equipment	1,389,950
Furniture and Equipment	<u>438,458</u>
TOTAL ASSETS	<u>\$ 111,882,242</u>
 LIABILITIES:	
Accounts payable and accrued liabilities	\$ 4,988,640
Unearned Revenue	43,147
Interest payable on long term liabilities	493,223
Long-term liabilities (Due within one year)	
Capital related liabilities	2,333,408
Non-capital related liabilities	73,787
Long-term liabilities (Due beyond one year)	
Capital related liabilities	51,320,000
Non-capital related liabilities	<u>866,231</u>
TOTAL LIABILITIES	<u>\$ 60,118,436</u>
 NET ASSETS:	
Investment in capital assets (net of related debt)	\$ 25,333,645
Restricted net assets:	
Expendable:	
School-Based Activities	4,305,301
Debt Service	1,006,297
Capital Improvement	8,266,513
Forestry Improvements	170,300
Unemployment Benefits	163,626
Nonexpendable:	
Sixteenth Section	12,151,333
Unrestricted:	<u>366,791</u>
TOTAL NET ASSETS	<u>\$ 51,763,806</u>

**JONES COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

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>Governmental Activities</u>
Governmental Activities:					
Instruction	\$ 40,351,671	\$ 1,797,227	\$ 4,157,574	\$ 1,201,316	\$ (33,195,554)
Support Services	20,178,504	-	4,237,516	-	(15,940,988)
Non-instructional	3,626,743	1,145,979	206,247	-	(2,274,517)
Sixteenth Section	788,266	33,706	-	-	(754,560)
Interest & other expenses on long-term liabilities	513,329	-	-	-	(513,329)
Total governmental activities	\$ 65,458,513	\$ 2,976,912	\$ 8,601,337	\$ 1,201,316	(52,678,948)
			General Revenues:		
			Taxes:		
			General purpose levies		11,893,752
			Debt purpose levies		660,016
			Unrestricted grants & contributions:		
			State		38,521,853
			Federal		268,013
			Unrestricted investment earnings		1,971,367
			Donations		733,235
			Sixteenth Section Sources		2,457,264
			Other		4,422,828
			Total General Revenues		60,928,328
			Change in Net Assets		8,249,380
			Net Assets - Beginning		43,439,894
			Prior Period Adjustment		74,532
			Net Assets - Beginning-Restated		43,514,426
			Net Assets - Ending		\$ 51,763,806

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

**JONES COUNTY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2008**

EXHIBIT C

	MAJOR FUNDS				
	General Fund	Bond Construction Fund	16th Section Principal Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 8,755,006	\$ 6,827,992	\$ 7,249,995	\$ 4,442,019	\$ 27,275,012
Investments	4,319,683	-	1,619,881	1,276,880	7,216,444
Other receivables, net	16,720	-	5,103	1,375,516	1,397,339
Due from other governments	1,228,862	-	-	-	1,228,862
Due from other funds	1,810,516	-	367,271	1,698,849	3,876,636
Advances to other funds	-	-	3,919,196	-	3,919,196
Inventories and prepaid items	324,374	-	-	111,734	436,108
TOTAL ASSETS	\$ 16,455,161	\$ 6,827,992	\$ 13,161,446	\$ 8,904,998	\$ 45,349,597
LIABILITIES & FUND BALANCES:					
Liabilities:					
Accounts payable and accrued liabilities	\$ 2,470,783	\$ -	\$ 697,795	\$ 1,820,062	\$ 4,988,640
Due to other funds	373,561	1,385,829	312,318	1,633,421	3,705,129
Advances from other funds	3,919,196	-	-	-	3,919,196
Unearned revenue	1,206	-	-	35,234	36,440
Total Liabilities	6,764,746	1,385,829	1,010,113	3,488,717	12,649,405
Fund Balances:					
Reserved for:					
Advances	-	-	3,919,196	-	3,919,196
Inventory	22,907	-	-	32,929	55,836
Prepaid items	301,467	-	-	78,805	380,272
Capital projects	8,052,525	5,442,163	-	-	13,494,688
Unemployment benefits	-	-	-	163,626	163,626
Forestry improvement purposes	-	-	-	170,300	170,300
Debt service funds	-	-	-	1,101,428	1,101,428
Permanent funds	-	-	8,232,137	-	8,232,137
Unreserved:					
Undesignated, reported in:					
General fund	1,313,516	-	-	-	1,313,516
Special revenue fund	-	-	-	3,869,193	3,869,193
Total Fund Balances	9,690,415	5,442,163	12,151,333	5,416,281	32,700,192
TOTAL LIABILITIES & FUND BALANCE	\$ 16,455,161	\$ 6,827,992	\$ 13,161,446	\$ 8,904,998	\$ 45,349,597

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, 2008

EXHIBIT C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 32,700,192
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 \$19,307,809.	73,758,878
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(54,593,426)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	(493,223)
4. Other long-term assets not available for current-period expenditures and therefore are deferred in the funds.	398,092
5. Revenues earned but unavailable from Sixteenth Section Sources.	(6,707)
Total Net Assets - Governmental Activities	\$ 51,763,806

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

JONES COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

EXHIBIT D

	MAJOR FUNDS				
	General Fund	Bond Construction Fund	16th Section Principal Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Local Sources	\$ 14,685,269	\$ 134,075	\$ -	\$ 2,984,244	\$ 17,803,588
State Sources	38,604,357	-	-	2,470,847	41,075,204
Federal Sources	383,009	-	-	7,134,306	7,517,315
Sixteenth Section Sources	-	-	2,415,958	619,693	3,035,651
TOTAL REVENUES	53,672,635	134,075	2,415,958	13,209,090	69,431,758
EXPENDITURES					
Instruction	33,433,167	-	-	5,404,813	38,837,980
Support Services	17,337,271	-	-	3,024,402	20,361,673
Noninstructional Services	-	-	-	3,601,266	3,601,266
Sixteenth Section	-	-	697,792	90,440	788,232
Facilities Acquisition & Construction	-	126,547	-	31,315,812	31,442,359
Debt Service:					
Principal	19,659	-	-	2,162,994	2,182,653
Interest	150,967	-	-	2,278,079	2,429,046
TOTAL EXPENDITURES	50,941,064	126,547	697,792	47,877,806	99,643,209
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,731,571	7,528	1,718,166	(34,668,716)	(30,211,451)
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	6,295,255	-	-	33,067,935	39,363,190
Insurance Loss Recoveries	1,097	-	-	4,420,491	4,421,588
Sale of Other Property	16,028	-	-	2,270	18,298
Other Financing Sources	54,411	-	-	-	54,411
Operating Transfers Out	(9,421,193)	(28,226,701)	(312,318)	(1,402,978)	(39,363,190)
Other Financing Uses	-	-	-	(54,411)	(54,411)
TOTAL OTHER FINANCING SOURCES (USES)	(3,054,402)	(28,226,701)	(312,318)	36,033,307	4,439,886
NET CHANGE IN FUND BALANCES	(322,831)	(28,219,173)	1,405,848	1,364,591	(25,771,565)
FUND BALANCES:					
July 1, 2007	10,014,907	33,661,336	10,745,485	4,061,004	58,482,732
Increase (decrease) in reserve for inventory	(1,661)	-	-	(9,314)	(10,975)
June 30, 2008	<u>\$ 9,690,415</u>	<u>\$ 5,442,163</u>	<u>\$ 12,151,333</u>	<u>\$ 5,416,281</u>	<u>\$ 32,700,192</u>

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, 2008

EXHIBIT D-1

	Amount
Net Change in Fund Balances - Governmental Funds	\$ (25,771,565)
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 \$33,989,960 and the depreciation expense amounted to \$1,534,100.	32,455,860
2. Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	(11,377)
3. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.	2,182,652
4. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	3,889
5. Gains and losses on the sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(485,159)
6. Increase (decrease) in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are (decreased) increased in the Statement of Activities.	(10,975)
7. Issuance cost for long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.	(30,874)
8. Compensated absences	(83,071)
Change in Net Assets of Governmental Activities	\$ 8,249,380

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

**JONES COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2008**

EXHIBIT E

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 8,166	293,417
Investments	20,000	-
Due from other funds	-	14,046
	<u>\$ 28,166</u>	<u>307,463</u>
Total Assets	<u>\$ 28,166</u>	<u>\$ 307,463</u>
Liabilities		
Accounts payable and accrued liabilities	\$ -	\$ (914)
Due to other governments	7,012	-
Due to other funds	-	185,553
Due to student clubs	-	122,824
	<u>\$ 7,012</u>	<u>\$ 307,463</u>
Total Liabilities	<u>\$ 7,012</u>	<u>\$ 307,463</u>
Net Assets		
Held in trust	<u>\$ 21,154</u>	
Total Net Assets	<u>\$ 21,154</u>	

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

**JONES COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008**

EXHIBIT F

	Private-Purpose Trust Funds
Additions	
Interest on investments	\$ 1,495
Contributions from private sources	4,222
Total Additions	5,717
Deductions	
Supplies for student recognition	3,563
Scholarships awarded	1,000
Total Deductions	4,563
Change in Net Assets	1,154
Net Assets	
July 1, 2007	20,000
June 30, 2008	\$ 21,154

**JONES COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(1) Summary of Significant Accounting Policies.

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

A. Financial Reporting Entity.

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board to which each member was elected by the citizens of each defined county district. For financial reporting purposes, the Jones County School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

B. Basis of Presentation.

Government-wide Financial Statements:

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

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

1. Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

**JONES COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(1) Summary of Significant Accounting Policies. (Continued)

3. Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable to a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

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

The school district reported 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.

Bond Construction Fund – This fund accounts for all revenues and expenditures related to the bond construction funds.

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 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:

Moore Scholarship Fund – Accounts for contribution by individual's family for investment proceeds to paid to a student for scholarships to college.

Katrina Education Relief – Designated donations by district employees to assist fellow educators impacted by Hurricane Katrina.

**JONES COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(1) Summary of Significant Accounting Policies. (Continued)

Employee/student Recognition – Designated donations by community supporters to recognize the excellent performance of employees and students.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

Private-purpose Trust Funds - Private-purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, under 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.

Club Funds – Accounts for receipt of money due to various school clubs.

C. Measurement Focus and Basis of Accounting.

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

**JONES COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(1) Summary of Significant Accounting Policies. (Continued)

Governmental funds are reported 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. 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 the 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 entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. Ad valorem property taxes are levied by the governing authority of the county on behalf of the school district based upon an order adopted by the school board of the school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues, to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

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

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

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

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

**JONES COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(1) Summary of Significant Accounting Policies. (Continued)

D. Account Classifications.

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

E. Encumbrances.

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

F. Assets, Liabilities, and Net Assets

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.

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

Investments are reported at fair market value.

2. Receivables and payables

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

**JONES COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(1) Summary of Significant Accounting Policies. (Continued)

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.

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

5. Restricted Assets

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

6. Capital Assets

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

**JONES COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(1) Summary of Significant Accounting Policies. (Continued)

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

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

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	-	-
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 lease	*	*

(*) 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 the school district's policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95, Miss. Code Ann. (1972). Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

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

In the government-wide, proprietary and component unit financial statements, outstanding debt is reported as liabilities. Bond issue cost, bond discounts or premiums, and the difference between acquisition price and the net carrying value of refunded debt are

**JONES COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(1) Summary of Significant Accounting Policies. (Continued)

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.

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

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

Reserved for 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.

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

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

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

**JONES COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(1) Summary of Significant Accounting Policies. (Continued)

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.

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.

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

(2) Cash and Cash Equivalents 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 are imposed by statutes as follows:

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

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) 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 Funds), 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.

**JONES COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(2) Cash and Cash Equivalents and Investments. (Continued)

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 \$27,275,012 and \$301,583, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents - \$20,025,016 and restricted assets - \$8,869,876. The restricted assets of \$8,869,876 represent the cash balance and investment balance of the Sixteenth Section Principal Fund (Permanent Fund) of \$7,249,995 and \$1,619,881 which is legally restricted and may not be used for purposes that support the district's programs. The bank balance was \$30,718,445.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2008, none of the district's bank balance of \$30,718,445 was exposed to custodial credit risk.

Investments.

As of June 30, 2008, all of the district's investments were in the Mississippi Education Investment Pool held at Bancorp South Investment Services, Inc. The carrying amount of the district's investments is \$7,216,444. All of this amount is at risk.

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

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

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

Concentration of Credit Risk. Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2008, all of the district's investments were in an external investment pool.

**JONES COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(3) Interfund Receivables, Payables, and Transfers

The following is a summary of interfund transactions and balances:

Due To/Due froms	Due To	Due From
Governmental funds:		
General fund	\$ 373,561	\$ 1,810,516
Bond Construction fund	1,385,829	\$ -
Sixteenth section principal fund	312,318	367,271
Other governmental funds:	1,633,421	1,698,849
Fiduciary funds:	<u>185,553</u>	<u>14,046</u>
Totals	<u>\$ 3,890,682</u>	<u>\$ 3,890,682</u>

The amounts due to or from other funds represent amounts advanced or received for timing differences between revenues and expenditures and cash balances.

	Advances From	Advances To
B. Advances From/To Other Funds:		
Governmental funds:		
General fund	\$ 3,919,196	\$ -
Sixteenth section principal fund	<u>-</u>	<u>3,919,196</u>
Totals	<u>\$ 3,919,196</u>	<u>\$ 3,919,196</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:

Year Ending	Principal	Interest	Total
<u>June 30</u>			
2009	\$ 400,221	\$ 156,768	556,989
2010	398,221	140,759	538,980
2011	398,221	124,830	523,051
2012	378,221	108,901	487,122
2013	378,221	93,772	471,993
2014-2018	1,465,302	256,224	1,721,526
2019-2023	459,962	56,841	516,803
2024-2025	<u>40,827</u>	<u>2,040</u>	<u>42,867</u>
Total	<u>\$ 3,919,196</u>	<u>\$ 940,135</u>	<u>4,859,331</u>

**JONES COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(3) Interfund Receivables, Payables, and Transfers (Continued)

C. Transfers in/out:

	Transfers In	Transfers Out
Governmental funds:		
General fund	\$ 6,295,255	\$ 9,421,193
Bond construction fund	-	28,226,701
Sixteenth section principal fund	-	312,318
Other governmental funds:	<u>33,067,935</u>	<u>1,402,978</u>
Totals	<u>\$ 39,363,190</u>	<u>\$ 39,363,190</u>

The transfers represent board approved operating transfers for school operations and planning purposes.

(4) Restricted Assets.

The restricted assets represent the cash balance and investment balance, totaling \$7,249,995 and \$1,619,881, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

**JONES COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(5) Capital Assets.

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

	<u>Balance 6/30/2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Completed Construction</u>	<u>Adjustments</u>	<u>Balance 6/30/2008</u>
Non-depreciable capital assets:						
Land	\$ 868,970	\$ -	\$ -	\$ -	\$ -	\$ 868,970
Construction in progress	<u>5,078,159</u>	<u>33,250,986</u>	<u>-</u>	<u>(5,868,086)</u>	<u>(110,919)</u>	<u>32,350,140</u>
Total non-depreciable	<u>5,947,129</u>	<u>33,250,986</u>	<u>-</u>	<u>(5,868,086)</u>	<u>(110,919)</u>	<u>33,219,110</u>
Depreciable capital assets:						
Buildings	42,679,300	-	707,292	5,350,301	-	47,322,309
Building improvements	6,452,391	-	41,813	517,785	-	6,928,363
Mobile equipment	3,218,602	611,061	478,290	-	-	3,351,373
Furniture and equipment	<u>2,529,272</u>	<u>127,913</u>	<u>411,653</u>	<u>-</u>	<u>-</u>	<u>2,245,532</u>
Total depreciable capital assets	<u>54,879,565</u>	<u>738,974</u>	<u>1,639,048</u>	<u>5,868,086</u>	<u>-</u>	<u>59,847,577</u>
Less Accumulated Depreciation for:						
Buildings	13,704,790	793,429	333,390	-	-	14,164,829
Building improvements	1,150,722	257,212	33,451	-	-	1,374,483
Mobile equipment	2,194,134	180,628	413,339	-	-	1,961,423
Furniture and equipment	<u>1,863,386</u>	<u>302,831</u>	<u>373,709</u>	<u>-</u>	<u>14,566</u>	<u>1,807,074</u>
Total Accumulated Depreciation	<u>18,913,032</u>	<u>1,534,100</u>	<u>1,153,889</u>	<u>-</u>	<u>14,566</u>	<u>19,307,809</u>
Total Depreciable Capital Assets, Net	<u>35,966,533</u>	<u>(795,126)</u>	<u>485,159</u>	<u>5,868,086</u>	<u>(14,566)</u>	<u>40,539,768</u>
Governmental Activities Capital						
Assets, Net	<u>\$ 41,913,662</u>	<u>\$ 32,455,860</u>	<u>\$ 485,159</u>	<u>\$ -</u>	<u>\$ (125,485)</u>	<u>\$ 73,758,878</u>

Adjustments to capital assets and accumulated depreciation were made due to a prior period adjustment; see Note 10 for more information.

Depreciation expense was charged to the following governmental functions

	<u>Amount</u>
Instruction	\$1,118,570
Support Services	398,545
Noninstructional	<u>16,985</u>
Total depreciation expense	<u>\$1,534,100</u>

**JONES COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(5) Capital Assets. (Continued)

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.

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

	<u>Remaining Commitment</u>	<u>Required Future Financing</u>
Northeast High School	\$1,829,245	\$ -
North Jones Elementary	3,339,996	-
South Jones Elementary	1,681,904	-
South Jones High School	1,207,530	-
West Jones High School	857,025	-
Myrick Gym	<u>618,357</u>	-
Total	<u>\$9,534,057</u>	<u>\$ -</u>

Construction projects included in governmental activities are funded with general obligations bonds.

(6) Long-term Liabilities.

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

	<u>Balance 7/1/2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2008</u>	<u>Amounts due within one year</u>
A. General obligation bonds payable	\$ 39,045,000	\$ -	\$ 1,130,000	\$ 37,915,000	\$ 1,195,000
B. Limited obligation bonds payable	10,845,000	-	600,000	10,245,000	785,000
C. Three mill notes payable	5,815,000	-	335,000	5,480,000	340,000
D. Shortfall notes payable	327,074	-	98,054	229,020	73,787
E. Obligations under capital lease	33,006	-	19,598	13,408	13,408
F. Compensated absences payable	<u>627,927</u>	<u>83,071</u>	<u>-</u>	<u>710,998</u>	<u>-</u>
Total	<u>\$ 56,693,007</u>	<u>\$ 83,071</u>	<u>\$ 2,182,652</u>	<u>\$ 54,593,426</u>	<u>\$ 2,407,195</u>

**JONES COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(6) 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	\$ 1,765,000
2007 G.O. Bonds	3.25% - 4.625%	4/1/2007	10/1/2025	<u>37,000,000</u>	<u>36,150,000</u>
Total				<u>\$ 39,410,000</u>	<u>\$ 37,915,000</u>

Details of the district's June 30, 2008 general obligation bonded indebtedness are as follows:

i. Bond issue of 8/28/2003

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 195,000	\$ 66,153	\$ 261,153
2010	200,000	60,303	260,303
2011	210,000	53,803	263,803
2012	215,000	23,226	238,226
2013	220,000	23,226	243,226
2014-2018	<u>725,000</u>	<u>99,520</u>	<u>824,520</u>
Total	<u>\$ 1,765,000</u>	<u>\$ 326,231</u>	<u>\$ 2,091,231</u>

**JONES COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(6) Long-term Liabilities. (Continued)

ii. Bond issue of 4/1/2007

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,000,000	\$ 1,511,938	\$ 2,511,938
2010	1,100,000	1,463,375	2,563,375
2011	1,250,000	1,409,031	2,659,031
2012	1,350,000	1,348,906	2,698,906
2013	1,500,000	1,287,688	2,787,688
2014-2018	9,200,000	5,289,438	14,489,438
2019-2023	12,750,000	2,753,281	15,503,281
2024-2028	<u>8,000,000</u>	<u>357,500</u>	<u>8,357,500</u>
Total	<u>\$36,150,000</u>	<u>\$15,421,157</u>	<u>\$ 51,571,157</u>

Total general obligation bond payments for all issues:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,195,000	\$ 1,578,091	\$ 2,773,091
2010	1,300,000	1,523,678	2,823,678
2011	1,460,000	1,462,834	2,922,834
2012	1,565,000	1,372,132	2,937,132
2013	1,720,000	1,310,914	3,030,914
2014-2018	9,925,000	5,388,958	15,313,958
2019-2023	12,750,000	2,753,281	15,503,281
2024-2028	<u>8,000,000</u>	<u>357,500</u>	<u>8,357,500</u>
Total	<u>\$37,915,000</u>	<u>\$15,747,388</u>	<u>\$ 53,662,388</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in state statutes, have been met. As of June 30, 2008, the amount of outstanding bonded indebtedness was equal to 14.05% of property assessments as of September 4, 2007.

**JONES COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(6) Long-term Liabilities. (Continued)

This debt will be retired from the 2003 Refunding Debt Service Fund and 2007 General Obligation Debt Service Fund.

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 2006 Refunding series	4.0% - 4.25%	8/31/2006	2/1/2018	\$ 9,925,000	\$ 9,775,000
State aid capital improvement 1998 Series	4.3% - 6.0%	4/20/1998	2/1/2018	<u>8,960,000</u>	<u>470,000</u>
Total				<u>\$ 18,885,000</u>	<u>\$ 10,245,000</u>

Details of the district's June 30, 2008 limited obligation bonds indebtedness are as follows:

1. Limited obligation bond issue of 8/31/2006

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 315,000	\$ 388,125	\$ 703,125
2010	815,000	365,525	1,180,525
2011	850,000	332,225	1,182,225
2012	885,000	297,525	1,182,525
2013	920,000	261,425	1,181,425
2014-2018	<u>5,990,000</u>	<u>712,825</u>	<u>6,702,825</u>
Total	<u>\$ 9,775,000</u>	<u>\$ 2,357,650</u>	<u>\$ 12,132,650</u>

2. Limited obligation bond issue of 4/20/1998

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	<u>\$ 470,000</u>	<u>\$ 10,340</u>	<u>\$ 480,340</u>

**JONES COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(6) Long-term Liabilities. (Continued)

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 785,000	\$ 398,465	\$ 1,183,465
2010	815,000	365,525	1,180,525
2011	850,000	332,225	1,182,225
2012	885,000	297,525	1,182,525
2013	920,000	261,425	1,181,425
2014-2018	<u>5,990,000</u>	<u>712,825</u>	<u>6,702,825</u>
Total	<u>\$10,245,000</u>	<u>\$ 2,367,990</u>	<u>\$ 12,612,990</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 State Aid Debt Service Fund.

C. Three mill notes payable

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Limited Tax Note Series 2003	1.25% - 4.35%	8/4/2003	10/1/2020	\$ 6,500,000	\$ 5,480,000
Total				<u>\$ 6,500,000</u>	<u>\$ 5,480,000</u>

**JONES COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(6) Long-term Liabilities. (Continued)

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 340,000	211,504	\$ 551,504
2010	345,000	201,304	546,304
2011	355,000	189,919	544,919
2012	370,000	177,316	547,316
2013	2,075,000	668,819	2,743,819
2014-2018	<u>1,995,000</u>	<u>151,913</u>	<u>2,146,913</u>
Total	<u>\$ 5,480,000</u>	<u>\$ 1,600,775</u>	<u>\$ 7,080,775</u>

This debt will be retired from the Three Mill Refunding Escrow Fund.

D. 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>
2007 Shortfall	3.65% - 4.0%	8/13/2007	8/13/2010	<u>229,020</u>	<u>229,020</u>
Total				<u>\$ 229,020</u>	<u>\$ 229,020</u>

**JONES COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(6) Long-term Liabilities. (Continued)

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 73,787	\$ 8,359	\$ 82,146
2010	76,248	5,899	82,147
2011	<u>78,985</u>	<u>3,159</u>	<u>82,144</u>
Total	<u>\$ 229,020</u>	<u>\$ 17,417</u>	<u>\$ 246,437</u>

This debt will be retired from the Shortfall Debt Service fund.

E. Obligations under capital leases.

The school district has entered into a lease agreement as lessee for financing the acquisition of communications equipment at a cost of \$94,107 with no down payment. This lease qualifies as a capital lease for accounting purposes.

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Communications Equipment	3.11%	3/15/2003	3/15/2009	94,107	13,408

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 13,408	\$ 157	\$ 13,565
Total	<u>\$ 13,408</u>	<u>\$ 157</u>	<u>\$ 13,565</u>

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 General Fund.

**JONES COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(6) Long-term Liabilities. (Continued)

F. Compensated absences payable.

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

(7) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The rate for fiscal year ended June 30, 2008, was 11.85% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2008, 2007 and 2006 were \$4,306,030, \$3,918,261 and \$3,609,371, respectively, which equaled the required contributions for each year.

(8) Other Commitments.

Commitments under construction contracts are described in Note 5.

Operating leases:

The school district has several operating leases for the following:

1. Drivers Ed cars

Lease expenditures for the year ended June 30, 2008, amounted to \$14,603. Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2009	\$ 28,121
2010	21,835
2011	<u>6,231</u>
Total	<u>\$ 56,187</u>

**JONES COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(9) Sixteenth Section Lands.

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

Year Ending June 30,	
2009	\$ 141,610
2010	132,804
2011	128,655
2012	123,083
2013	92,872
2014-2018	346,952
2019-2023	280,655
2024-2028	193,546
2029-2033	91,825
Thereafter	<u>11,127</u>
	<u>\$ 1,543,129</u>

(10) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit B – Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>
Correction of capital assets and accumulated depreciation.	\$ (125,485)
Correction of amortization of bond issue costs	<u>200,017</u>
	<u>\$ 74,532</u>

**JONES COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

(11) Risk Management.

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

(12) Prior Year Defeasance of Debt.

In prior years, the Jones County School District defeased certain general obligations 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, 2008, \$17,490,000 of outstanding bonds are defeased.

REQUIRED SUPPLEMENTARY INFORMATION

**JONES COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008**

SCHEDULE 1a

	<u>Budgeted Amounts</u>		Actual (GAAP Basis)	Variances Positive (Negative)	
	<u>Original</u>	<u>Final</u>		<u>Original to Final</u>	<u>Final to Actual</u>
REVENUES					
Local Sources	\$ 14,038,864	\$ 14,951,016	\$ 14,685,269	\$ 912,152	\$ (265,747)
State Sources	38,173,798	38,443,595	38,604,357	269,797	160,762
Federal Sources	<u>614,252</u>	<u>544,409</u>	<u>383,009</u>	<u>(69,843)</u>	<u>(161,400)</u>
TOTAL REVENUES	<u>52,826,914</u>	<u>53,939,020</u>	<u>53,672,635</u>	<u>1,112,106</u>	<u>(266,385)</u>
EXPENDITURES					
Instruction	32,254,582	33,600,495	33,433,167	(1,345,913)	167,328
Support Services	16,819,979	17,295,295	17,337,271	(475,316)	(41,976)
Noninstructional Services	-	-	-	-	-
Facilities Acquisition & Const.	-	231,460	-	(231,460)	231,460
Debt Service:					
Principal	-	-	19,659	-	(19,659)
Interest	<u>537,897</u>	<u>170,626</u>	<u>150,967</u>	<u>367,271</u>	<u>19,659</u>
TOTAL EXPENDITURES	<u>49,612,458</u>	<u>51,297,876</u>	<u>50,941,064</u>	<u>(1,685,418)</u>	<u>356,812</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,214,456</u>	<u>2,641,144</u>	<u>2,731,571</u>	<u>573,312</u>	<u>90,427</u>
OTHER FINANCIAL SOURCES (USES)					
Sale of other property	-	-	16,028	-	16,028
Operating transfers in	-	-	6,295,255	-	6,295,255
Insurance loss recoveries	-	-	1,097	-	1,097
Other financing sources	5,216,138	6,366,792	54,411	1,150,654	(6,312,381)
Operating transfers out	-	-	(9,421,193)	-	(9,421,193)
Other financing uses	<u>(8,360,671)</u>	<u>(9,436,043)</u>	<u>-</u>	<u>(1,075,372)</u>	<u>9,436,043</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,144,533)</u>	<u>(3,069,251)</u>	<u>(3,054,402)</u>	<u>75,282</u>	<u>14,849</u>
NET CHANGE IN FUND BALANCES	69,923	(428,107)	(322,831)	(498,030)	105,276
FUND BALANCE, JULY 1, 2007	8,787,365	10,016,762	10,014,907	1,229,397	(1,855)
Increase (Decrease) in Reserve for Inventory	-	-	(1,661)	-	(1,661)
FUND BALANCE, JUNE 30, 2008	<u>\$ 8,857,288</u>	<u>\$ 9,588,655</u>	<u>\$ 9,690,415</u>	<u>\$ 731,367</u>	<u>\$ 101,760</u>

**JONES COUNTY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2008**

Budgetary Comparison Schedule

(1) Basis of Presentation.

The Budgetary Comparison Schedules 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

**JONES COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008**

SCHEDULE 2

Federal Grantor/ Pass-Through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>		
Passed-Through Mississippi Dept. of Education:		
Child Nutrition Cluster		
School Breakfast Program	10.553	497,263
National School Lunch Program	10.555	1,988,010
Total Child Nutrition (Total Child Nutrition Cluster)		<u>2,485,273</u>
Total U.S. Dept. of Agriculture		<u>2,485,273</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	268,013
Total Federal Communications Commission		<u>268,013</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>		
Passed-Through Mississippi Board of Community and Junior Colleges:		
Adult Education-state grant program	84.002	91,225
Passed-Through Mississippi Dept. of Education:		
Title I Grants to Local Educational Agencies	84.010	2,029,160
Career and technical education-basic grants to states	84.048	89,601
Safe and Drug Free Schools and Communities - State Grants	84.186	43,296
State Grants for Innovative Programs	84.298	12,470
Education Technology State Grants	84.318	9,089
Rural Education	84.358	201,923
English Language Acquisition Grants	84.365	46,325
Improving Teacher Quality - State Grants	84.367	534,193
Grants for state assessments and related activities	84.369	3,265
Total		<u>2,969,322</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	1,521,066
Special Education - Preschool Grants	84.173	75,009
Total Special Education Cluster		<u>1,596,075</u>
Total Passed-Through MDE		<u>4,565,397</u>
Total U.S. Department of Education		<u>4,656,622</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
Passed-Through Mississippi Department of Health and Human Services:		
Medical Assistance Program	93.778	107,106
Total for all Federal Awards		<u>\$ 7,517,014</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 financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

**JONES COUNTY SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE, AND OTHER EXPENDITURES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administrative</u>	<u>School Administrative</u>	<u>Other</u>
Salaries and fringe benefits	\$ 49,305,682	\$ 39,113,338	\$ 1,083,055	\$ 3,451,523	\$ 5,657,766
Other	<u>50,337,527</u>	<u>4,594,105</u>	<u>261,928</u>	<u>315,278</u>	<u>45,166,216</u>
Total	<u>\$ 99,643,209</u>	<u>\$ 43,707,443</u>	<u>\$ 1,344,983</u>	<u>\$ 3,766,801</u>	<u>\$ 50,823,982</u>

Total number of students* 8,028

Cost per student \$ 12,412 \$ 5,444 \$ 168 \$ 469 \$ 6,331

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 student Included here are the activities of teachers, teachers aides or classroom assistants of any type (all the 1000, 2100, and 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 year.

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

**JONES COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GENERAL FUND
LAST FOUR YEARS**

"UNAUDITED"

	<u>2008</u>	<u>2007*</u>	<u>2006*</u>	<u>2005*</u>
REVENUES				
Local Sources	\$ 14,685,269	\$ 14,224,344	\$ 12,854,396	\$ 11,732,512
State Sources	38,604,357	35,031,765	33,414,861	30,350,939
Federal Sources	383,009	941,986	352,535	376,009
Sixteenth Section Sources	-	-	-	-
TOTAL REVENUES	<u>53,672,635</u>	<u>50,198,095</u>	<u>46,621,792</u>	<u>42,459,460</u>
EXPENDITURES				
Instruction	33,433,167	31,472,931	25,962,906	26,908,218
Support Services	17,337,271	16,619,990	13,397,398	12,974,588
Noninstructional Services	-	2,426	-	-
Sixteenth Section	-	-	-	-
Facilities Acquisition & Construction	-	-	-	85,146
Debt Service:				
Principal	19,659	18,999	31,060	36,705
Interest	150,967	153,469	154,589	159,852
TOTAL EXPENDITURES	<u>50,941,064</u>	<u>48,267,815</u>	<u>39,545,953</u>	<u>40,164,509</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2,731,571</u>	<u>1,930,280</u>	<u>7,075,839</u>	<u>2,294,951</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	6,295,255	927,323	8,982,331	4,341,370
Proceeds of Loans	-	-	-	288,524
Insurance Loss Recoveries	1,097	80,254	169,935	90,369
Sale of Other Property	16,028	64,423	17,680	100
Other Financing Sources	54,411	75,971	83,133	76,980
Operating Transfers Out	(9,421,193)	(1,826,909)	(10,656,798)	(6,079,498)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,054,402)</u>	<u>(678,938)</u>	<u>(1,403,719)</u>	<u>(1,282,155)</u>
NET CHANGE IN FUND BALANCES	(322,831)	1,251,342	5,672,120	1,012,796
FUND BALANCES:				
July 1,	10,014,907	8,761,139	3,095,574	2,075,394
Increase (decrease) in reserve for inventory	(1,661)	2,426	(6,555)	7,384
June 30,	<u>\$ 9,690,415</u>	<u>\$ 10,014,907</u>	<u>\$ 8,761,139</u>	<u>\$ 3,095,574</u>

* SOURCE - PRIOR YEAR AUDIT REPORTS

**JONES COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
LAST FOUR YEARS**

"UNAUDITED"

	<u>2008</u>	<u>2007*</u>	<u>2006*</u>	<u>2005*</u>
REVENUES				
Local Sources	\$ 17,803,588	\$ 16,531,653	\$ 14,183,968	\$ 13,263,603
State Sources	41,075,204	37,521,862	35,911,201	32,778,115
Federal Sources	7,517,315	7,757,539	13,243,396	6,912,607
Sixteenth Section Sources	<u>3,035,651</u>	<u>2,844,341</u>	<u>4,597,399</u>	<u>1,605,439</u>
TOTAL REVENUES	<u>69,431,758</u>	<u>64,655,395</u>	<u>67,935,964</u>	<u>54,559,764</u>
EXPENDITURES				
Instruction	38,837,980	36,700,649	40,824,309	31,717,709
Support Services	20,361,673	19,769,186	16,626,986	15,014,383
Noninstructional Services	3,601,266	3,378,077	3,053,163	2,806,933
Sixteenth Section	788,232	628,727	795,499	765,278
Facilities Acquisition & Construction	31,442,359	4,967,239	133,987	873,026
Debt Service:				
Principal	2,182,653	1,135,174	1,320,355	1,108,786
Interest	<u>2,429,046</u>	<u>1,135,345</u>	<u>1,021,989</u>	<u>1,185,053</u>
TOTAL EXPENDITURES	<u>99,643,209</u>	<u>67,714,397</u>	<u>63,776,288</u>	<u>53,471,168</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(30,211,451)</u>	<u>(3,059,002)</u>	<u>4,159,676</u>	<u>1,088,596</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	39,363,190	3,389,489	11,304,371	6,470,653
Bond Proceeds	-	46,925,000	-	-
Proceeds of Loans	-	-	-	288,524
Insurance Loss Recoveries	4,421,588	2,284,309	5,382,801	90,369
Sale of Other Property	18,298	64,423	17,680	100
Other Financing Sources	54,411	77,483	-	-
Operating Transfers Out	(39,363,190)	(3,389,489)	(11,304,371)	(6,470,653)
Payment of Refunding Bond	-	(9,925,000)	-	-
Other Financing Uses	<u>(54,411)</u>	<u>(73,301)</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>4,439,886</u>	<u>39,352,914</u>	<u>5,400,481</u>	<u>378,993</u>
NET CHANGE IN FUND BALANCES	<u>(25,771,565)</u>	<u>36,293,912</u>	<u>9,560,157</u>	<u>1,467,589</u>
FUND BALANCES:				
July 1,	58,482,732	22,208,357	12,662,541	11,197,578
Prior Period Adjustment	-	(36,292)	-	-
July 1, as Restated	<u>58,482,732</u>	<u>22,172,065</u>	<u>12,662,541</u>	<u>11,197,578</u>
Increase (decrease) in reserve for inventory	<u>(10,975)</u>	<u>16,755</u>	<u>(14,341)</u>	<u>(2,626)</u>
June 30,	<u>\$ 32,700,192</u>	<u>\$ 58,482,732</u>	<u>\$ 22,208,357</u>	<u>\$ 12,662,541</u>

* SOURCE - PRIOR YEAR AUDIT REPORTS

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
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, 2008, which collectively comprise Jones County School District's basic financial statements and have issued our report thereon dated January 5, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's

financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding **2008-1** to be a significant deficiency in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above in Finding **2008-1** to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests 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 have reported to management of the school district in a separate letter dated January 5, 2009, which is included in this report.

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

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

Holt & Associates PLLC

January 5, 2009

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

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, 2008. The school district's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

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

In our opinion, 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, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with

OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding **2008-2**.

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 the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

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

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

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

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

Halt + Associates PLLC

January 5, 2009

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

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, 2008, which collectively comprise Jones County School District's basic financial statements and have issued our report thereon dated January 5, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3) (a) (iii), Miss. Code Ann. (1972), disclosed the following instance of noncompliance. The noncompliance is reported in Finding #1 below. The district reported \$2,658 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 instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response is reported in Finding #2 below.

Finding #1:

In one instance, educational enhancement funds were used for athletic supplies.

Recommendation:

In accordance with Section 31-61-33(3) (a) (iii), Miss. Code Ann. (1972), the Classroom Supplies and Instructional Materials Funds may only be used for the acquisition of classroom, supplies, instructional materials and/or equipment. Teachers spending plans should be reviewed before approval to ensure that all purchases are in accordance with the law.

District Response:

The district will review all purchases by teachers from education enhancement funds to assure compliance with statute and state board policy.

Finding #2:

Financial Statements were not presented monthly.

Recommendation:

In accordance with Section 37-9-18, Miss. Code Ann. (1972), the superintendent should furnish to the school board a financial statement of receipts and disbursements, by funds, on or before the last working day of the following month covering the prior month.

District Response:

Financial statements are currently being presented to the school board monthly.

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.

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

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

Holt & Associates PLLC

January 5, 2009

FINDINGS, CORRECTIVE ACTION PLAN AND AUDIT FINDINGS FOLLOW-UP

**JONES COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | |
|--|-------------|
| 4. Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | No |
| 6. Any audit finding(s) reported as required by Section ____510 (a) of Circular A-133? | Yes |
| 7. Federal programs identified as major programs: | |
| a. Child Nutrition Cluster
School Breakfast Program (SBP), CFDA #10.553
National School Lunch Program (NSLP), CFDA #10.555 | |
| b. Special Education Cluster
Special Education-Grants to States, CFDA #84.027
Special Education-Preschool Grants, CFDA #84.173 | |
| c. Improving Teacher Quality-State Grants, CFDA #84.367 | |

**JONES COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

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

Section 2: Financial Statement Findings:

Significant Deficiency Considered a Material Weakness

Finding 2008-1

Condition: As reported in the prior year, the subsidiary ledger and depreciation schedules are not correct. Additions to capital assets were not added to the subsidiary ledger and the depreciation schedule. Also, the depreciation schedule has not been calculated correctly. Assets additions were added and depreciation was recalculated as part of the audit procedures.

Criteria: Internal controls should be in place to ensure that all additions to capital assets are properly included in the subsidiary ledger and the depreciation schedule, and that depreciation is being calculated correctly.

Effect: Depreciation was computed incorrectly and the subsidiary ledger does not reflect all capital assets of the school district.

Recommendation: Procedures should be in place to ensure that all additions to capital assets are correctly and timely recorded in the subsidiary ledger and that depreciation is being calculated correctly.

**JONES COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

Section 3: Federal Award Findings and Questioned Costs

Significant Deficiency Not Considered a Material Weakness

Finding 2008-2:

Federal Program: Child Nutrition: CFDA # 10.553 and 10.555

Compliance Requirement: Eligibility

Condition: In testing forty applications for control procedures over eligibility, one application was given free meal status when it should have received reduced.

Criteria: Income limits provided by the federal government determine eligibility for children to eat free or reduced meals.

Effect: Children were given free lunches when they were not eligible based on income limits.

Recommendation: Management of the school district food service department should closely review the applications.



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Ellisville, MS 39437
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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, 2008:

Finding:

Corrective Action Plan Details:

- 08-1:
- a. Name of Contact Person Responsible for Corrective Action:
William J. Landrum, Director of Purchasing
(601) 649-5201
 - b. Corrective Action Planned:
Procedures will be implemented to ensure that capital assets are recorded when purchased or constructed, and that depreciation on capital assets is correctly calculated.
 - c. Anticipated Completion Date:
Already completed.
- 08-2:
- a. Name of Contact Person Responsible for Corrective Action:
Dwain Strickland, Director of Child Nutrition and Wellness (601) 649-5201
 - d. Corrective Action Planned:
Eligibility applications will be reviewed to verify the correct determination of eligibility.
 - e. Anticipated Completion Date:
Already completed.

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, 2007:

<u>Finding:</u>	<u>Corrective Action Taken:</u>
2007-1:	Repeat finding.
2007-2:	Corrective action was taken.
2007-3:	Repeat finding.