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JEFFERSON COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2012

JEFFERSON COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

Superintendent and School Board
Jefferson 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 Jefferson County School District as of and for the year ended June 30, 2012, which collectively comprise the Jefferson County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Jefferson 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson County School District, as of June 30, 2012, 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 October 1, 2013, on our consideration of the Jefferson County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements,

and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jefferson County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jefferson County School District's basic financial statements. The other 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 do not express an opinion or provide any assurance on it.

Watkins, Ward and Stafford, PLLC
Jackson, Mississippi
October 1, 2013

Watkins Ward and Stafford, PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of Jefferson County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net assets for 2012 increased $1,128,488, including a prior period adjustment of $(1,062), which represents a 20% increase from fiscal year 2011. Total net assets for 2011 increased $646,212, including a prior period adjustment of $1,504, which represents a 13% increase from fiscal year 2010.

- General revenues amounted to $9,787,090 and $9,763,804, or 71% and 70% of all revenues for fiscal years 2012 and 2011, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for $3,921,855, or 29% of total revenues for 2012, and $4,128,930, or 30% of total revenues for 2011.

- The District had $12,579,395 and $13,248,026 in expenses for fiscal years 2012 and 2011; only $3,921,855 for 2012 and $4,128,930 for 2011 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of $9,787,090 for 2012 and $9,763,804 for 2011 were adequate to provide for these programs.

- Among major funds, the General Fund had $8,873,342 in revenues and $8,189,240 in expenditures for 2012, and $8,501,986 in revenues and $8,182,751 in expenditures in 2011. The General Fund's fund balance increased by $240,509, including a prior period adjustment of $(1,062), from 2011 to 2012, and increased by $552,938, including a prior period adjustment of $1,644, from 2010 to 2011.

- Capital assets, net of accumulated depreciation, decreased by $38,744 for 2012 and decreased by $91,348 for 2011. The decrease for 2012 was due primarily to the increase in accumulated depreciation.

- Long-term debt decreased by $208,783 for 2012 and decreased by $208,800 for 2011. The decrease for 2012 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by $1,766 for 2012 and decreased by $212 for 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplemental information, supplemental information, and other information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Assets and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets presents information on all the District's nonfiduciary assets and liabilities, with the differences between the two reported as "net assets." Over time, increases or decreases in the

District's net assets may serve as a useful indicator of whether its financial position 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 periods.

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

Fund Financial Statements

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

Governmental funds – Most of the District's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the District's near-term financing requirements.

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, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Assets, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts.* Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All non-major funds are combined and presented in these reports as other governmental funds.

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

Reconciliation of Government-wide and Fund Financial Statements

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

Capital assets used in governmental activities are not reported on governmental funds financial statements.

Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

Bond and note proceeds result in liabilities on government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

Notes to the financial statements

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

Required Supplemental Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplemental information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

Supplemental Information

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

Other Information

Although not a required part of the basic financial statements, 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by $6,723,821 as of June 30, 2012.

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

Table 1 presents a summary of the District's net assets at June 30, 2012 and June 30, 2011.

Table 1

Condensed Statement of Net Assets

	June 30, 2012	June 30, 2011	Percentage Change
Current assets	$ 5,153,988	$ 4,250,619	21.25 %
Restricted assets	361,144	354,973	1.74 %
Capital assets, net	3,150,070	3,188,814	(1.21) %
Total assets	**8,665,202**	**7,794,406**	**11.17 %**
Current liabilities	102,252	151,161	(32.36) %
Long-term debt outstanding	1,839,129	2,047,912	(10.19) %
Total liabilities	**1,941,381**	**2,199,073**	**(11.72) %**
Net assets:			
Invested in capital assets, net of related debt	2,421,446	2,341,451	3.42 %
Restricted	3,993,991	3,276,051	21.91 %
Unrestricted	308,384	(22,169)	1,491.06 %
Total net assets	**$ 6,723,821**	**$ 5,595,333**	**20.17 %**

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

- Decrease in net capital assets in the amount of $38,744.
- Proceeds from the issuance of a shortfall note in the amount of $174,900.
- The principal retirement of $381,917 of long-term debt.

Changes in net assets

The District's total revenues for the fiscal years ended June 30, 2012 and June 30, 2011 were $13,708,945 and $13,892,734, respectively. The total cost of all programs and services was $12,579,395 for 2012 and $13,248,026 for 2011.

Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2012 and June 30, 2011.

Table 2
Changes in Net Assets

	Year Ended June 30, 2012	Year Ended June 30, 2011	Percentage Change
Revenues:			
Program revenues:			
Charges for services	$ 288,519	$ 241,099	19.67 %
Operating grants and contributions	3,633,336	3,887,831	(6.55) %
General revenues:			
Property taxes	2,141,719	2,322,889	(7.80) %
Grants and contributions not restricted	6,956,988	6,989,072	(0.46) %
Investment earnings	11,584	10,452	10.83 %
Sixteenth section sources	667,175	435,466	53.21 %
Other	9,624	5,925	62.43 %
Total revenues	**13,708,945**	**13,892,734**	**(1.32) %**
Expenses:			
Instruction	6,786,047	7,200,553	(5.76) %
Support services	4,745,012	4,990,134	(4.91) %
Non-instructional	946,799	922,410	2.64 %
Sixteenth section	43,111	63,133	(31.71) %
Interest and other expenses on long-term liabilities	58,426	71,796	(18.62) %
Total expenses	**12,579,395**	**13,248,026**	**(5.05) %**
Increase (Decrease) in net assets	**1,129,550**	**644,708**	**75.20 %**
Net Assets, July 1, as originally reported	**5,595,333**	**4,949,121**	13.06 %
Prior Period Adjustment	**(1,062)**	**1,504**	(170.61) %
Net Assets, July 1, as restated	**5,594,271**	**4,950,625**	**13.00 %**
Net Assets, June 30	**$ 6,723,821**	**$ 5,595,333**	**20.17 %**

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage
	2012	**2011**	**Change**
Instruction	$ 6,786,047	$ 7,200,553	(5.76) %
Support services	4,745,012	4,990,134	(4.91) %
Non-instructional	946,799	922,410	2.64 %
Sixteenth section	43,111	63,133	(31.71) %
Interest on long-term liabilities	58,426	71,796	(18.62) %
Total expenses	**$ 12,579,395**	**$ 13,248,026**	**(5.05) %**

	Net (Expense) Revenue		Percentage
	2012	**2011**	**Change**
Instruction	$ (4,845,268)	$ (5,117,754)	(5.32) %
Support services	(3,828,006)	(3,943,356)	(2.93) %
Non-instructional	23,473	24,611	(4.62) %
Sixteenth section	50,687	(10,801)	569.28 %
Interest on long-term liabilities	(58,426)	(71,796)	(18.62) %
Total net (expense) revenue	**$ (8,657,540)**	**$ (9,119,096)**	**(5.06) %**

- Net cost of governmental activities ($8,657,540 for 2012 and $9,119,096 for 2011) was financed by general revenue, which is primarily made up of property taxes ($2,141,719 for 2012 and $2,322,889 for 2011) and state and federal revenues ($6,956,988 for 2012 and $6,989,072 for 2011). In addition, there was $667,175 and $435,466 in Sixteenth Section sources for 2012 and 2011, respectively.

- Investment earnings amounted to $11,584 for 2012 and $10,452 for 2011.

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, unassigned 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 $5,430,383, an increase of $953,632, which includes a prior period adjustment of $(1,062) and an increase in reserve for inventory of $2,837. $1,361,247, or 25%, of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of $4,069,136, or 75%, is either non-spendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was $240,509, including a prior period adjustment of $(1,062). The fund balance of Other Governmental Funds showed an increase in the amount of $41,025, which includes an

increase in reserve for inventory of $2,837. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title I-A Basic Fund	no increase or decrease
Sixteenth Section Interest Fund	$ 672,098

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2012, the District's total capital assets were $7,394,686, including land, school buildings, building improvements and other improvements, buses, other school vehicles, furniture and equipment, and leased property under capital leases. This amount represents a gross increase of $94,000 from 2011. Total accumulated depreciation as of June 30, 2012, was $4,244,616, and total depreciation expense for the year was $181,344, resulting in total net capital assets of $3,150,070.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2012	June 30, 2011	Percentage Change
Land	$ 19,828	$ 19,828	0.00 %
Buildings	1,764,580	1,798,592	(1.89) %
Building improvements	489,825	518,638	(5.56) %
Improvements other than buildings	80,315	84,308	(4.74) %
Mobile equipment	598,207	537,558	11.28 %
Furniture and equipment	101,354	128,403	(21.07) %
Leased property under capital leases	95,961	101,487	(5.45) %
Total	**$ 3,150,070**	**$ 3,188,814**	**(1.21) %**

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

Debt Administration. At June 30, 2012, the District had $1,839,129 in outstanding long-term debt, of which $370,744 is due within one year. During the fiscal year, the District received proceeds from the issuance of a shortfall note in the amount of $174,900. The District made principal payments in the amount of $381,917 on outstanding long-term debt. The liability for compensated absences decreased $1,766 from the prior year.

Table 5
Outstanding Long-Term Debt

	June 30, 2012	June 30, 2011	Percentage Change
Limited obligation bonds payable	$ 1,370,000	$ 1,575,000	(13.02) %
Shortfall notes payable	333,222	319,000	4.46 %
Obligations under capital leases	43,624	59,863	(27.13) %
Compensated absences payable	92,283	94,049	(1.88) %
Total	**$ 1,839,129**	**$ 2,047,912**	**(10.19) %**

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

CURRENT ISSUES

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

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Jefferson County School District, P. O. Box 157, Fayette, MS 39069.

FINANCIAL STATEMENTS

JEFFERSON COUNTY SCHOOL DISTRICT

Statement of Net Assets **Exhibit A**
June 30, 2012

		Governmental Activities
Assets		
Cash and cash equivalents	$	4,628,459
Due from other governments		494,388
Inventories		31,141
Restricted assets		361,144
Capital assets, non-depreciable:		
Land		19,828
Capital assets, net of accumulated depreciation:		
Buildings		1,764,580
Building improvements		489,825
Improvements other than buildings		80,315
Mobile equipment		598,207
Furniture and equipment		101,354
Leased property under capital leases		95,961
Total Assets		8,665,202
Liabilities		
Accounts payable and accrued liabilities		84,366
Due to other governments		383
Interest payable on long-term liabilities		17,503
Long-term liabilities, due within one year:		
Capital related liabilities		124,417
Non-capital related liabilities		246,327
Long-term liabilities, due beyond one year:		
Capital related liabilities		604,207
Non-capital related liabilities		864,178
Total Liabilities		1,941,381
Net Assets		
Invested in capital assets, net of related debt		2,421,446
Restricted for:		
Expendable:		
School-based activities		2,902,280
Debt service		578,833
Capital improvements		63,490
Forestry improvements		197,558
Unemployment benefits		33,612
Non-expendable:		
Sixteenth section		218,218
Unrestricted		308,384
Total Net Assets	$	6,723,821

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

JEFFERSON COUNTY SCHOOL DISTRICT

Statement of Activities **Exhibit B**

For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Governmental Activities:					
Instruction	$ 6,786,047	$ 126,776	$ 1,814,003	$ -	$ (4,845,268)
Support services	4,745,012	4,856	912,150	-	(3,828,006)
Non-instructional	946,799	63,089	907,183	-	23,473
Sixteenth section	43,111	93,798	-	-	50,687
Interest on long-term liabilities	58,426	-	-	-	(58,426)
Total Governmental Activities	$ 12,579,395	$ 288,519	$ 3,633,336	$ -	$ (8,657,540)

General Revenues:	
Taxes:	
General purpose levies	1,957,276
Debt purpose levies	184,443
Unrestricted grants and contributions:	
State	6,753,681
Federal	203,307
Unrestricted investment earnings	11,584
Sixteenth section sources	667,175
Other	9,624
Total General Revenues	9,787,090
Change in Net Assets	1,129,550
Net Assets - Beginning, as originally reported	5,595,333
Prior Period Adjustments	(1,062)
Net Assets - Beginning, as restated	5,594,271
Net Assets - Ending	$ 6,723,821

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

JEFFERSON COUNTY SCHOOL DISTRICT
Governmental Funds

Balance Sheet **Exhibit C**
June 30, 2012

	Major Funds				
	General Fund	Title I-A Basic Fund	Sixteenth Section Interest Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 1,118,438	$ -	$ 2,505,038	$ 1,225,381	$ 4,848,857
Investments	-	-	-	140,746	140,746
Due from other governments	139,968	129,173	-	224,204	493,345
Due from other funds	211,937	96	-	15,407	227,440
Inventories	-	-	-	31,141	31,141
Total assets	$ 1,470,343	$ 129,269	$ 2,505,038	$ 1,636,879	$ 5,741,529
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	$ 51,080	$ -	$ 32,438	$ 848	$ 84,366
Due to other funds	374	129,269	12,577	84,560	226,780
Total Liabilities	51,454	129,269	45,015	85,408	311,146
Fund Balances:					
Nonspendable:					
Inventory	-	-	-	31,141	31,141
Permanent fund principal	-	-	-	218,218	218,218
Restricted:					
Debt service	-	-	-	596,336	596,336
Capital projects	-	-	-	63,490	63,490
Forestry improvement purposes	-	-	-	197,558	197,558
Unemployment benefits	-	-	-	33,612	33,612
Sixteenth section interest funds	-	-	2,460,023	-	2,460,023
Child nutrition	-	-	-	361,610	361,610
Other purposes	-	-	-	49,506	49,506
Assigned:					
Activity funds	43,265	-	-	-	43,265
Other purposes	14,377	-	-	-	14,377
Unassigned	1,361,247	-	-	-	1,361,247
Total Fund Balances	1,418,889	-	2,460,023	1,551,471	5,430,383
Total Liabilities and Fund Balances	$ 1,470,343	$ 129,269	$ 2,505,038	$ 1,636,879	$ 5,741,529

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

JEFFERSON COUNTY SCHOOL DISTRICT
Governmental Funds
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets **Exhibit C-1**
June 30, 2012

Total fund balances for governmental funds		$ 5,430,383
Amounts reported for governmental activities in the statement of net assets are		
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	$ 19,828	
Buildings	4,127,471	
Building improvements	720,330	
Improvements other than buildings	161,986	
Mobile equipment	1,719,016	
Furniture and equipment	487,768	
Leased property under capital leases	158,287	
Accumulated depreciation	(4,244,616)	3,150,070
2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
Limited obligation bonds	(1,370,000)	
Notes payable	(333,222)	
Capital lease obligations	(43,624)	
Compensated absences	(92,283)	
Accrued interest payable	(17,503)	(1,856,632)
Net assets of governmental activities		$ 6,723,821

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

JEFFERSON COUNTY SCHOOL DISTRICT
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances **Exhibit D**
For the Year Ended June 30, 2012

	Major Funds				
	General Fund	Title I-A Basic Fund	Sixteenth Section Interest Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local sources	$ 2,098,901	$ -	$ -	$ 248,047	$ 2,346,948
State sources	6,519,358	-	-	641,812	7,161,170
Federal sources	255,083	1,020,306	-	2,153,764	3,429,153
Sixteenth section sources	-	-	672,098	94,720	766,818
Total Revenues	8,873,342	1,020,306	672,098	3,138,343	13,704,089
Expenditures:					
Instruction	4,532,064	545,662	-	1,645,391	6,723,117
Support services	3,657,176	344,450	-	803,296	4,804,922
Noninstructional services	-	130,194	-	785,484	915,678
Sixteenth section	-	-	-	43,111	43,111
Debt service:					
Principal	-	-	-	381,917	381,917
Interest	-	-	-	62,243	62,243
Other	-	-	-	1,000	1,000
Total Expenditures	8,189,240	1,020,306	-	3,722,442	12,931,988
Excess (Deficiency) of Revenues over (under) Expenditures	684,102	-	672,098	(584,099)	772,101
Other Financing Sources (Uses):					
Bonds and notes issued	174,900	-	-	-	174,900
Insurance recovery	4,856	-	-	-	4,856
Operating transfers in	-	-	-	622,287	622,287
Operating transfers out	(622,287)	-	-	-	(622,287)
Total Other Financing Sources (Uses)	(442,531)	-	-	622,287	179,756
Net Change in Fund Balances	241,571	-	672,098	38,188	951,857
Fund Balances:					
July 1, 2011, as originally reported	1,178,380	-	1,787,925	1,510,446	4,476,751
Prior period adjustments	(1,062)	-	-	-	(1,062)
July 1, 2011, as restated	1,177,318	-	1,787,925	1,510,446	4,475,689
Increase (Decrease) in reserve for inventory	-	-	-	2,837	2,837
June 30, 2012	$ 1,418,889	$ -	$ 2,460,023	$ 1,551,471	$ 5,430,383

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

JEFFERSON COUNTY SCHOOL DISTRICT
Governmental Funds

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, 2012

Exhibit D-1

Net change in fund balances - total governmental funds		$ 951,857
Amounts reported for governmental activities in the statement of activities are different because:		
1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 147,000	
Depreciation expense	(181,344)	(34,344)
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.		(4,400)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.		
Bonds and notes issued	(174,900)	
Payments of debt principal	381,917	
Accrued interest payable	4,817	211,834
4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences	1,766	
Change in inventory reserve	2,837	4,603
Change in net assets of governmental activities		$ 1,129,550

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

JEFFERSON COUNTY SCHOOL DISTRICT
Fiduciary Funds
Statement of Fiduciary Assets and Liabilities **Exhibit E**
June 30, 2012

		Agency Funds
Assets		
Cash and cash equivalents	$	601,598
Due from other funds		383
Total Assets	$	601,981
Liabilities		
Accounts payable and accrued liabilities	$	584,398
Due to other funds		1,043
Due to student clubs		16,540
Total Liabilities	$	601,981

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

Note 1 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

In February 2009, the GASB issued GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

B. 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 is elected by the citizens of each defined county district.

For financial reporting purposes, Jefferson 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.

C. Government-wide and Fund Financial Statements

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

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

1. Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

2. Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly

identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

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

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

Title I-A Basic Fund - This is a special revenue fund that accounts for federal sources received and expenditures incurred related to the District's Title I Program.

Sixteenth Section Interest Fund - This is a special revenue fund that accounts for the expendable revenues associated with earnings on sixteenth section lands and the expenditures incurred for maintaining and improving sixteenth section lands.

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 (agency funds) which focus on assets and liabilities only. The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund is used as a clearing fund for payroll type transactions.

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

Accounts Payable Clearing Fund - This fund is used as a clearing fund for non-payroll type transactions.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Funds - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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

FIDUCIARY FUNDS

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

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

Ad valorem property taxes are levied by the governing authority of the 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 inter-fund activity has been eliminated from the government-wide statements.

Revenues from the Mississippi Adequate Education Program are appropriated on a fiscal year

basis and are recorded at the time the revenues are received from the State of Mississippi.

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

E. Encumbrances

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

F. Assets, liabilities, and net assets/fund balances

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 an original maturity greater than three months when acquired.

Investments for the district are reported at fair market value.

2. Receivables and payables

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. 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 fund.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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 the capitalization thresholds:

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

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

7. Compensated Absences

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

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

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

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

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

9. Fund Balances

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as non-spendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

Non-spendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is a resolution approved by the School Board. Currently there is no committed fund balance for this school district.

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent and the Business Manager pursuant to authorization established by the District's approved

fund balance policy.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

Note 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 and investments are imposed by statutes as follows:

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school 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 excess 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 deposit or 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, not to exceed fifty percent of all monies invested with maturities of thirty days or longer ; (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 other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of $100 or more of any fund must be credited to that fund. Investment income of less than $100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was $4,848,857 and $601,598, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in

the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2012, none of the district's bank balance of $5,877,979 was exposed to custodial credit risk.

Investments

As of June 30, 2012, the district had the following investments.

Investment Type	Rating	Maturities (in years)		Fair Value
U.S. Treasury Cash Reserve	N/A	Less than 1 year	$	140,746
Total			$	140,746

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. As of June 30, 2012, the district did not have any investments to which this would apply.

Concentration of Credit Risk. Disclosure 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.

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund		Amount
General Fund	Title I-A Basic Fund	$	129,269
	Other governmental funds		81,625
	Fiduciary funds		1,043
Title I-A Basic Fund	Sixteenth Section Interest Fund		96
Other governmental funds	Sixteenth Section Interest Fund		12,481
	Other governmental funds		2,926
Fiduciary funds	General Fund		374
	Other governmental funds		9
Total		$	227,823

Various inter-fund payables resulted when reimbursable award programs in other governmental funds were loaned operating cash from the General Fund as part of routine year-end closing procedures. The inter-fund balances between the General Fund and fiduciary funds consist primarily of interest earned in the fiduciary funds that is payable to the General Fund. All inter-fund receivables and payables are expected to be repaid within one year.

B. Inter-fund Transfers

Transfers Out	Transfers In		Amount
General Fund	Other governmental funds	$	622,287
Total		$	622,287

Operating transfers consisted of transfers from the General Fund to the Vocational Education Fund to reimburse vocational expenditures incurred during the fiscal year.

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling $220,398 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. In addition, the restricted assets represent the investment balance totaling $140,746 of the MAEP Limited Obligation Bond Fund.

Note 5 – Capital Assets

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

	Balance 7/1/2011	Increases	Decreases	Balance 6/30/2012
Governmental Activities:				
Non-depreciable capital assets:				
Land	$ 19,828	$	$	$ 19,828
Total non-depreciable capital assets	19,828	-	-	19,828
Depreciable capital assets:				
Buildings	4,127,471			4,127,471
Building improvements	720,330			720,330
Improvements other than buildings	161,986			161,986
Mobile equipment	1,615,016	147,000	43,000	1,719,016
Furniture and equipment	497,768		10,000	487,768
Leased property under capital leases	158,287			158,287
Total depreciable capital assets	7,280,858	147,000	53,000	7,374,858
Less accumulated depreciation for:				
Buildings	2,328,879	34,012		2,362,891
Building improvements	201,692	28,813		230,505
Improvements other than buildings	77,678	3,993		81,671
Mobile equipment	1,077,458	82,051	38,700	1,120,809
Furniture and equipment	369,365	26,949	9,900	386,414
Leased property under capital leases	56,800	5,526		62,326
Total accumulated depreciation	4,111,872	181,344	48,600	4,244,616
Total depreciable capital assets, net	3,168,986	(34,344)	4,400	3,130,242
Governmental activities capital assets, net	$ 3,188,814	$ (34,344)	$ 4,400	$ 3,150,070

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	$ 64,166
Support services	83,132
Non-instructional	34,046
Total depreciation expense - Governmental activities	$ 181,344

Note 6 – Long-term Liabilities

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

	Balance 7/1/2011	Additions	Reductions	Balance 6/30/2012	Amounts due within one year
A. Limited obligation bonds payable	$ 1,575,000	$	$ 205,000	$ 1,370,000	$ 215,000
B. Shortfall notes payable	319,000	174,900	160,678	333,222	134,213
C. Obligations under capital leases	59,863		16,239	43,624	16,917
D. Compensated absences payable	94,049		1,766	92,283	4,614
Total	$ 2,047,912	$ 174,900	$ 383,683	$ 1,839,129	$ 370,744

A. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds, Series 2009	3.00%	12/18/2009	2/1/2018	$ 1,890,000	$ 1,370,000
Total				$ 1,890,000	$ 1,370,000

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

Year Ending June 30	Principal	Interest	Total
2013	$ 215,000	$ 41,100	$ 256,100
2014	215,000	34,650	249,650
2015	225,000	28,200	253,200
2016	230,000	21,450	251,450
2017	235,000	14,550	249,550
2018	250,000	6,250	256,250
Total	$ 1,370,000	$ 146,200	$ 1,516,200

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

B. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Shortfall note payable, Series 2010	3.95%	11/19/2010	11/19/2013	$ 233,000	$ 158,322
2. Shortfall note payable, Series 2011	3.00%	12/14/2011	12/14/2014	174,900	174,900
Total				$ 407,900	$ 333,222

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

1. Shortfall note payable issued on November 19, 2010:

Year Ending June 30	Principal	Interest	Total
2013	$ 77,628	$ 6,254	$ 83,882
2014	80,694	3,187	83,881
Total	$ 158,322	$ 9,441	$ 167,763

This debt will be retired from the Debt Service Fund.

2. Shortfall note payable issued on December 14, 2011:

Year Ending June 30	Principal	Interest	Total
2013	$ 56,585	$ 5,247	$ 61,832
2014	58,283	3,549	61,832
2015	60,032	1,801	61,833
Total	$ 174,900	$ 10,597	$ 185,497

This debt will be retired from the Debt Service Fund.

Total shortfall notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2013	$ 134,213	$ 11,501	$ 145,714
2014	138,977	6,736	145,713
2015	60,032	1,801	61,833
Total	$ 333,222	$ 20,038	$ 353,260

C. Obligations under capital leases

The school district has entered into a lease agreement as lessee for financing the acquisition of mobile equipment and lighting improvements at a cost of $150,000. This lease qualifies as a capital lease for accounting purposes.

The various options available to the lessee for this lease are as follows:

1. The lease transfers ownership of the property to the lessee by the end of the lease term.

2. The lease contains a bargain purchase option.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series 2004A School District Lease	4.13%	8/31/2004	9/10/2014	$ 150,000	$ 43,624
Total				$ 150,000	$ 43,624

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2013	$ 16,917	$ 1,628	$ 18,545
2014	17,622	923	18,545
2015	9,085	188	9,273
Total	$ 43,624	$ 2,739	$ 46,363

This debt will be retired from the Debt Service Fund.

D. 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.

Note 7 – Prior Year Defeasance of Debt

In prior years, the Jefferson County School District defeased certain State Aid Capital Improvement Bonds, Series 1998, 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 liabilities for the defeased bonds are not included in the district's financial statements. On June 30, 2012, $0 of bonds outstanding are defeased.

Note 8 – 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 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2012 was 12.93% 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, 2012, 2011 and 2010 were $872,185, $874,790 and $875,968, respectively, which equaled the required contributions for each year.

Note 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		Amount
2013	$	52,894
2014		34,974
Total	$	87,868

Note 10 – Contingencies

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

Note 11 – Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 84 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to $750,000. For a claim exceeding $750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 12 - Insurance loss recoveries

The Jefferson County School District received $4,856 in insurance loss recoveries related to damages during the 2011-2012 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and were allocated among the support services expense function.

Note 13 - Subsequent Events

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of the Jeffers County School District evaluated the activity of the district through October 1, 2013, (the date the financial statements were available to be issued), and determined that there were no subsequent events that have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

JEFFERSON COUNTY SCHOOL DISTRICT
Required Supplemental Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	$ 2,315,386	$ 2,105,203	$ 2,098,901	$ (210,183)	$ (6,302)
State sources	6,188,309	6,196,659	6,519,358	8,350	322,699
Federal sources	147,500	258,500	255,083	111,000	(3,417)
Total Revenues	8,651,195	8,560,362	8,873,342	(90,833)	312,980
Expenditures:					
Instruction	4,942,039	4,895,455	4,532,064	46,584	363,391
Support services	3,984,346	3,961,855	3,657,176	22,491	304,679
Total Expenditures	8,926,385	8,857,310	8,189,240	69,075	668,070
Excess (Deficiency) of Revenues over (under) Expenditures	(275,190)	(296,948)	684,102	(21,758)	981,050
Other Financing Sources (Uses):					
Bonds and notes issued	174,907	174,907	174,900	-	(7)
Insurance recovery	-	4,856	4,856	4,856	-
Operating transfers in	1,402,308	1,402,308	-	-	(1,402,308)
Operating transfers out	(1,265,953)	(1,265,953)	(622,287)	-	643,666
Total Other Financing Sources (Uses)	311,262	316,118	(442,531)	4,856	(758,649)
Net Change in Fund Balances	36,072	19,170	241,571	(16,902)	222,401
Fund Balances:					
July 1, 2011, as originally reported	719,932	1,171,542	1,178,380	451,610	6,838
Prior period adjustments	-	-	(1,062)	-	(1,062)
July 1, 2011, as restated	719,932	1,171,542	1,177,318	451,610	5,776
June 30, 2012	$ 756,004	$ 1,190,712	$ 1,418,889	$ 434,708	$ 228,177

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

JEFFERSON COUNTY SCHOOL DISTRICT
Required Supplemental Information

Budgetary Comparison Schedule
Title I-A Basic Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	$ 831,909	$ 831,909	$ 1,020,306	$ -	$ 188,397
Total Revenues	831,909	831,909	1,020,306	-	188,397
Expenditures:					
Instruction	423,994	675,165	545,662	(251,171)	129,503
Support services	290,809	400,272	344,450	(109,463)	55,822
Noninstructional services	117,106	140,336	130,194	(23,230)	10,142
Total Expenditures	831,909	1,215,773	1,020,306	(383,864)	195,467
Excess (Deficiency) of Revenues over (under) Expenditures	-	(383,864)	-	(383,864)	383,864
Other Financing Sources (Uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	-	(383,864)	-	(383,864)	383,864
Fund Balances:					
July 1, 2011	-	-	-	-	-
June 30, 2012	$ -	$ (383,864)	$ -	$ (383,864)	$ 383,864

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

JEFFERSON COUNTY SCHOOL DISTRICT
Required Supplemental Information

Budgetary Comparison Schedule
Sixteenth Section Interest Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	$ 346,000	$ 346,000	$ 672,098	$ -	326,098
Total Revenues	346,000	346,000	672,098	-	326,098
Expenditures:					
Sixteenth section	-	-	-	-	-
Total Expenditures	-	-	-	-	-
Excess (Deficiency) of Revenues over (under) Expenditures	346,000	346,000	672,098	-	326,098
Other Financing Sources (Uses):					
Operating transfers out	(470,000)	(470,000)	-	-	470,000
Total Other Financing Sources (Uses)	(470,000)	(470,000)	-	-	470,000
Net Change in Fund Balances	(124,000)	(124,000)	672,098	-	796,098
Fund Balances:					
July 1, 2011	1,735,846	1,787,925	1,787,925	52,079	-
June 30, 2012	$ 1,611,846	$ 1,663,925	$ 2,460,023	$ 52,079	$ 796,098

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

Budgetary Comparison Schedule

(1) Basis of Presentation

The Budgetary Comparison Schedules present 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 and each major Special Revenue Fund consistent with accounting principles generally accepted in the United States of America.

SUPPLEMENTAL INFORMATION

JEFFERSON COUNTY SCHOOL DISTRICT
Supplemental Information

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
U.S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	$ 225,885
National school lunch program	10.555	582,721
Summer Food Service Program for Children	10.559	2,926
Total child nutrition cluster		811,532
Fresh Fruit and Vegetable Program	10.582	40,865
Total passed-through Mississippi Department of Education		852,397
Passed-through Jefferson County Board of Supervisors:		
Schools and Roads - Grants to states	10.665	47,056
Total passed-through Jefferson County Board of Supervisors		47,056
Total U.S. Department of Agriculture		899,453
U.S. Department of Defense		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	51,776
Total U.S. Department of Defense		51,776
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	36,393
Total Federal Communications Commission		36,393
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	24,858
Rehabilitation Services_ Vocational Rehabilitation Grants to States	84.126	896
Safe and drug-free schools and communities- state grants	84.186	2,725
Rural education	84.358	23,097
Improving Teacher Quality State Grants	84.367	182,661
Education Jobs Fund	84.410	326,542
Subtotal		560,779
Title I cluster:		
Title I grants to local educational agencies	84.010	1,109,961
ARRA - Title I grants to local educational agencies, Recovery Act	84.389	115,840
Total Title I cluster		1,225,801
Special education cluster:		
Special education - grants to states	84.027	382,278
Special education - preschool grants	84.173	14,370
ARRA - Special education grants to states, Recovery Act	84.391	85,555
ARRA - Special education - preschool grants, Recovery Act	84.392	9,324
Total special education cluster		491,527
Total passed-through Mississippi Department of Education		2,278,107
Total U.S. Department of Education		2,278,107
U.S. Department of Health and Human Services		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	118,962
Total passed-through Mississippi Department of Education		118,962
Total U.S. Department of Health and Human Services		118,962
Total for All Federal Awards		$ 3,384,691

NOTES TO SCHEDULE

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

JEFFERSON COUNTY SCHOOL DISTRICT
Supplemental Information
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2012

Expenditures		Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	$	9,590,051	6,913,967	602,566	637,517	1,436,001
Other		3,341,937	1,097,200	192,068	11,409	2,041,260
Total	$	12,931,988	8,011,167	794,634	648,926	3,477,261
Total number of students *		1,318				
Cost per student	$	9,811	6,078	603	492	2,638

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

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.

General Administration - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.

School Administration - includes expenditures for the following function: Support Services - School Administration.

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

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

OTHER INFORMATION

JEFFERSON COUNTY SCHOOL DISTRICT
Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years
UNAUDITED

	2012	2011*	2010*	2009*
Revenues:				
Local sources	$ 2098901	$ 2,120,784	$ 2,052,379	$ 2,112,897
State sources	6519358	6,230,250	6,007,850	6,667,507
Federal sources	255083	150,952	149,521	197,627
Total Revenues	8,873,342	8,501,986	8,209,750	8,978,031
Expenditures:				
Instruction	4532064	4,393,015	4,505,703	5,195,799
Support services	3657176	3,789,048	3,879,081	3,908,834
Noninstructional services		688		
Sixteenth section				
Facilities acquisition and construction				98,435
Debt service:				
Other				353
Total Expenditures	8,189,240	8,182,751	8,384,784	9,203,421
Excess (Deficiency) of Revenues over (under) Expenditures	684,102	319,235	(175,034)	(225,390)
Other Financing Sources (Uses):				
Bonds and notes issued	174,900	233,000		243,000
Insurance recovery	4,856	615		
Operating transfers in		606,838	355,676	
Other financing sources		1,126		2,111
Operating transfers out	(622,287)	(609,520)	(781,751)	(734,122)
Total Other Financing Sources (Uses)	(442,531)	232,059	(426,075)	(489,011)
Net Change in Fund Balances	241,571	551,294	(601,109)	(714,401)
Fund Balances:				
Beginning of period, as originally reported	1,178,380	625,442	1,226,551	1,935,366
Prior period adjustments	(1,062)	1,644		5,586
Beginning of period, as restated	1,177,318	627,086	1,226,551	1,940,952
End of Period	$ 1,418,889	$ 1,178,380	$ 625,442	$ 1,226,551

*SOURCE - PRIOR YEAR AUDIT REPORTS

JEFFERSON COUNTY SCHOOL DISTRICT
Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years
UNAUDITED

	2012	2011*	2010*	2009*
Revenues:				
Local sources	$ 2,346,948	$ 2,520,750	$ 2,399,948	$ 2,424,910
State sources	7,161,170	6,878,136	6,607,871	7,326,701
Federal sources	3,429,153	3,998,766	3,367,136	2,528,149
Sixteenth section sources	766,818	493,341	976,110	195,291
Total Revenues	13,704,089	13,890,993	13,351,065	12,475,051
Expenditures:				
Instruction	6,723,117	7,136,535	6,654,627	6,807,963
Support services	4,804,922	4,966,744	5,027,057	5,011,008
Noninstructional services	915,678	915,737	898,485	870,043
Sixteenth section	43,111	63,133	44,964	29,878
Facilities acquisition and construction				98,435
Debt service:				
Principal	381,917	441,588	430,691	406,265
Interest	62,243	73,720	98,342	135,003
Debt issuance cost			37,895	
Other	1,000	1,000	2,681	1,380
Total Expenditures	12,931,988	13,598,457	13,194,742	13,359,975
Excess (Deficiency) of Revenues over (under) Expenditures	772,101	292,536	156,323	(884,924)
Other Financing Sources (Uses):				
Bonds and notes issued	174,900	233,000	1,890,000	243,000
Insurance recovery	4,856	615		
Premiums on bonds and refunding bonds issued			25,004	
Payment to refunded bond escrow agent			(1,873,604)	
Operating transfers in	622,287	1,216,358	1,137,427	734,122
Other financing sources		1,126		2,111
Operating transfers out	(622,287)	(1,216,358)	(1,137,427)	(734,122)
Total Other Financing Sources (Uses)	179,756	234,741	41,400	245,111
Net Change in Fund Balances	951,857	527,277	197,723	(639,813)
Fund Balances:				
Beginning of period, as originally reported	4,476,751	3,950,915	3,742,144	4,377,188
Prior period adjustments	(1,062)	1,504		7,008
Beginning of period, as restated	4,475,689	3,952,419	3,742,144	4,384,196
Increase (Decrease) in reserve for inventory	2,837	(2,945)	11,048	(2,239)
End of Period	$ 5,430,383	$ 4,476,751	$ 3,950,915	$ 3,742,144

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

WATKINS, WARD AND STAFFORD
Professional Limited Liability Company
Certified Public Accountants

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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
Jefferson County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jefferson County School District as of and for the year ended June 30, 2012, which collectively comprise Jefferson County School District's basic financial statements and have issued our report thereon dated October 1, 2013. 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

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

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

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

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*.

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.

Watkins, Ward, and Stafford, PLLC
Jackson, Mississippi
October 1, 2013

Watkins Ward and Stafford, PLLC

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Superintendent and School Board
Jefferson County School District

Compliance

We have audited the compliance of the Jefferson 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The Jefferson County 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, Jefferson County School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of the Jefferson 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 Jefferson County 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over

compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

Watkins, Ward, and Stafford, PLLC
Jackson, Mississippi
October 1, 2013

Watkins Ward and Stafford, PLLC

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

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

Superintendent and School Board
Jefferson County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson County School District as of and for the year ended June 30, 2012, which collectively comprise Jefferson County School District's basic financial statements and have issued our report thereon dated October 1, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported $8,051 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 did not disclose any instances of noncompliance with other state laws and regulations.

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.

Watkins, Ward, and Stafford, PLLC
Jackson, Mississippi
October 1, 2013

Watkins Ward and Stafford, PLLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unqualified

2. Internal control over financial reporting:
   a. Material weakness identified? No
   b. Significant deficiency identified? None Reported

3. Noncompliance material to financial statements noted? No

Federal Awards:

4. Internal control over major programs:
   a. Material weakness identified? No
   b. Significant deficiency identified? None Reported

5. Type of auditor's report issued on compliance for major programs: Unqualified

6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No

7. Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.027; 84.173;84.391;84.392	Special Education Cluster
84.010; 84.389	Title I Cluster
84.410	Education Jobs Fund

8. Dollar threshold used to distinguish between type A and type B programs: $ 300,000

9. Auditee qualified as low-risk auditee? No

10 Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section__.315(b) of OMB Circular A-133. No

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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