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Jones County School District
Audited Financial Statements
For the Year Ended June 30, 2012

Fortenberry & Ballard, PC
Certified Public Accountants

**Jones County School District
TABLE OF CONTENTS**

	PAGE #
INDEPENDENT AUDITOR’S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION	4
MANAGEMENT’S DISCUSSION AND ANALYSIS	8
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Exhibit A - Statement of Net Assets	20
Exhibit B - Statement of Activities	21
Governmental Funds Financial Statements	
Exhibit C - Balance Sheet	22
Exhibit C-1 - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	24
Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances	26
Exhibit D-1 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	28
Fiduciary Funds Financial Statements	
Exhibit E - Statement of Fiduciary Net Assets	29
Exhibit F - Statement of Changes in Fiduciary Net Assets	30
Notes to the Financial Statements	32
REQUIRED SUPPLEMENTAL INFORMATION	
Budgetary Comparison Schedule - General Fund	55
Budgetary Comparison Schedule - Sixteenth Section Interest Fund	56
Notes to the Required Supplemental Information	57
SUPPLEMENTAL INFORMATION	
Schedule of Expenditures of Federal Awards	59
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	60
OTHER INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years	62
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years	63
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	65
Independent Auditor’s Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	67
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	71
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	75
AUDITEE’S CORRECTIVE ACTION PLAN AND SUMMARY OF PRIOR YEAR AUDIT FINDINGS	81

FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Jones County School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jones County School District as of and for the year ended June 30, 2012, which collectively comprise the Jones County School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Jones County School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Due to the inadequacy in the accounting records, we were unable to obtain sufficient appropriate audit evidence regarding amounts presented for cash and cash equivalents, due to and from other funds as well as advances to and from other funds. Cash and cash equivalents were stated at \$11,604,438, due to other funds at \$14,048,410, due from other funds at \$14,491,812, advances to other funds at \$7,517,633 and advances from other funds \$6,766,328.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine adequate records and evidence regarding cash and cash equivalents, due to and from other funds and advances to and from other funds, 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 Jones 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 August 20, 2013, on our consideration of the Jones 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 Jones County School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) 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 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, except for the effect of adjustments, if any, as might have been determined to be necessary to this supplemental information had we been able to obtain sufficient appropriate audit evidence regarding the items mentioned in paragraph 3 of the previous page, 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 Jones 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.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
August 20, 2013

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Jones County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2012

The following discussion and analysis of Jones 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 the financial statements to enhance their understanding of the School District's financial performance.

The Jones County School District is located in southeast Mississippi. The District is composed of 11 instructional locations, including 6 elementary schools for grades kindergarten to six, 3 middle/high schools for grades seven to twelve, one alternative school for grades six to twelve, and one vocational center for grades ten to twelve. The current enrollment is approximately 8,324 students, and the district employs approximately 1,209 certified and non-certified staff.

FINANCIAL HIGHLIGHTS

- Total net assets for 2012 decreased \$6,601,128, which represents a 12% decrease from fiscal year 2011. Total net assets for 2011 increased \$3,483,936, including a prior period adjustment of \$5,412, which represents a 7% increase from fiscal year 2010.
- General revenues amounted to \$54,335,860 and \$53,385,417, or 80% and 77% 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 \$13,668,887, or 20% of total revenues for 2012, and \$15,819,847, or 23% of total revenues for 2011.
- The District had \$74,605,875 and \$65,726,740 in expenses for fiscal years 2012 and 2011; only \$13,668,887 for 2012 and \$15,819,847 for 2011 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$54,335,860 for 2012 were not adequate to provide for these programs. However, \$53,385,417 for 2011 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$53,222,561 in revenues and \$54,179,316 in expenditures for 2012, and \$50,007,141 in revenues and \$45,030,265 in expenditures for 2011. The General Fund's fund balance decreased by \$2,814,553, including a decrease in inventory of \$429 from 2011 to 2012, and increased by \$724,069, including a decrease in inventory of \$8,457, from 2010 to 2011.
- Capital assets, net of accumulated depreciation, increased by \$512,670 for 2012 and decreased by \$1,648,813 for 2011. The increase for 2012 was primarily due to additions to construction in progress and leased property under capital leases.
- Long-term debt increased by \$964,833 for 2012 and decreased by \$2,226,600 for 2011. The increase for 2012 was mainly due to additions to capital leases in the amount of \$3,675,000. In addition, the liability for compensated absences decreased by \$261,266 for 2012 and decreased by \$47,928 for 2011.

Jones County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2012

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

Jones County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2012

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.

Jones County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2012

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 \$48,128,805 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.

Jones County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2012

Table 1
Condensed Statement of Net Assets

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Percentage Change</u>
Current assets	\$ 19,075,210	21,739,236	(12)%
Restricted assets	4,097,556	5,631,608	(27)%
Capital assets, net	<u>79,125,761</u>	<u>78,613,091</u>	1%
Total assets	<u>102,298,527</u>	<u>105,983,935</u>	(3)%
Current liabilities	5,482,147	3,269,994	68%
Long-term debt outstanding	<u>48,687,575</u>	<u>47,984,008</u>	1%
Total liabilities	<u>54,169,722</u>	<u>51,254,002</u>	6%
Net assets:			
Invested in capital assets, net of related debt	32,075,761	32,418,091	(1)%
Restricted	17,357,757	19,761,896	(12)%
Unrestricted	<u>(1,304,713)</u>	<u>2,549,946</u>	(151)%
Total net assets	<u>\$ 48,128,805</u>	<u>54,729,933</u>	(12)%

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

- Increase in net capital assets in the amount of \$512,670.
- The principal retirement of \$3,161,639 of long-term debt.
- The issuance of shortfall notes payable in the amount of \$451,472.

Changes in net assets

The District's total revenues for the fiscal years ended June 30, 2012 and June 30, 2011 were \$68,004,747 and \$69,205,264, respectively. The total cost of all programs and services was \$74,605,875 for 2012 and \$65,726,740 for 2011.

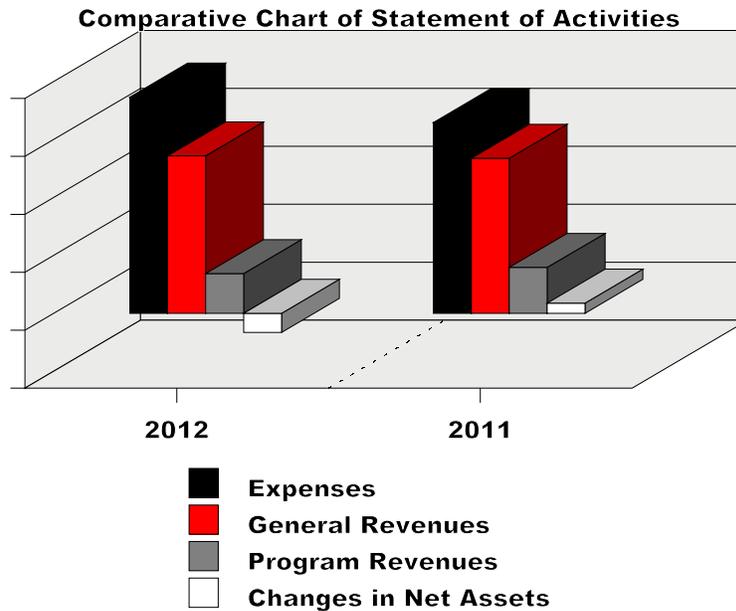
Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2012 and June 30, 2011.

Jones County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2012

Table 2
Changes in Net Assets

	<u>Year Ended June 30, 2012</u>	<u>Year Ended June 30, 2011</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 3,308,754	2,993,870	11%
Operating grants and contributions	10,095,169	12,561,013	(20)%
Capital grants and contributions	<u>264,964</u>	<u>264,964</u>	0%
Total program revenues	<u>13,668,887</u>	<u>15,819,847</u>	(14)%
General revenues:			
Property taxes	13,599,464	13,752,481	(1)%
Grants and contributions not restricted	38,795,419	38,213,862	2%
Unrestricted investment earnings	182,403	122,840	48%
Sixteenth section sources	1,662,646	1,296,234	28%
Other	<u>95,928</u>		
Total general revenues	<u>54,335,860</u>	<u>53,385,417</u>	2%
Total revenues	<u>68,004,747</u>	<u>69,205,264</u>	(2)%
Expenses:			
Instruction	47,837,835	39,972,999	20%
Support services	18,905,778	18,892,091	0%
Non-instructional	4,651,273	4,479,052	4%
Sixteenth section	968,244	81,591	1087%
Interest on long-term liabilities	<u>2,242,745</u>	<u>2,301,007</u>	(3)%
Total expenses	<u>74,605,875</u>	<u>65,726,740</u>	14%
Increase (Decrease) in net assets	<u>(6,601,128)</u>	<u>3,478,524</u>	(290)%
Net Assets, July 1, as previously reported	54,729,933	51,245,997	7%
Prior period adjustment		<u>5,412</u>	(100)%
Net Assets, July 1, as restated	<u>54,729,933</u>	<u>51,251,409</u>	7%
Net Assets, June 30	<u>\$ 48,128,805</u>	<u>54,729,933</u>	(12)%

Jones County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2012



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 liabilities. 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

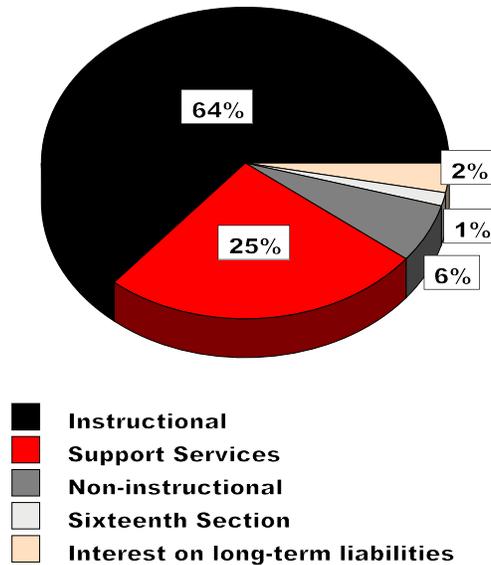
	Total Expenses		Percentage Change
	2012	2011	
Instruction	\$ 47,837,835	39,972,999	20%
Support services	18,905,778	18,892,091	0%
Non-instructional	4,651,273	4,479,052	4%
Sixteenth section	968,244	81,591	1,087%
Interest on long-term liabilities	2,242,745	2,301,007	(3)%
Total expenses	\$ 74,605,875	65,726,740	14%

Jones County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2012

Net (Expense) Revenue

	2012	2011	Percentage Change
Instruction	\$ (40,072,392)	(30,150,857)	33%
Support services	(17,322,749)	(17,171,830)	1%
Non-instructional	(462,108)	(280,902)	65%
Sixteenth section	(836,994)	(2,297)	36,339%
Interest on long-term liabilities	(2,242,745)	(2,301,007)	(3)%
Total net (expense) revenue	\$ (60,936,988)	(49,906,893)	22%

Chart of Expenses per Statement of Activities



- Net cost of governmental activities (\$60,936,988 for 2012 and \$49,906,893 for 2011) was financed by general revenue, which is primarily made up of property taxes (\$13,599,464 for 2012 and \$13,752,481 for 2011) and state and federal revenues (\$38,795,419 for 2012 and \$38,213,862 for 2011). In addition, there was \$1,662,646 and \$1,296,234 in Sixteenth Section sources for 2012 and 2011, respectively.
- Investment earnings amounted to \$182,403 for 2012 and \$122,840 for 2011.

Jones County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2012

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 \$19,179,237, a decrease of \$5,166,908, which includes an increase in inventory of \$1,448. \$123,343 or 1% 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, or assigned to specific purposes within the general fund. The remaining fund balance of \$19,055,894 or 99% is either nonspendable, 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 decrease in fund balance in the General Fund for the fiscal year was \$2,814,553, including a decrease in inventory of \$429. The fund balance of Other Governmental Funds showed a decrease in the amount of \$331,051, which includes an increase in inventory of \$1,877 due primarily to reflect inventory to actual. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Sixteenth Section Interest Fund	\$ (2,014,170)
Sixteenth Section Principal Fund	(7,134)

BUDGETARY HIGHLIGHTS

During the year, the District did not revise the annual operating budget. Budget revisions were not made to address and correct the original budgets.

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 fund is provided in this report as required supplemental information.

Jones County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2012

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2012, the District's total capital assets were \$106,716,337, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment and leased property under capital leases. This amount represents an increase of \$1,744,811 from 2011. Total accumulated depreciation as of June 30, 2012, was \$27,590,576, and total depreciation expense for the year was \$2,754,598, resulting in total net capital assets of \$79,125,761.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Percentage Change</u>
Land	\$ 771,863	897,970	(14)%
Construction in progress		191,090	(100)%
Buildings	67,290,280	69,251,378	(3)%
Building improvements	5,126,458	5,084,011	1%
Mobile equipment	2,179,779	2,534,263	(14)%
Furniture and equipment	413,131	654,379	(37)%
Leased property under capital leases	3,344,250		
Total	<u>\$ 79,125,761</u>	<u>78,613,091</u>	<u>1%</u>

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

Debt Administration. At June 30, 2012, the District had \$48,687,575 in outstanding long-term debt, of which \$4,066,261 is due within one year. The liability for compensated absences decreased \$261,266 from the prior year.

Jones County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2012

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 32,395,000	33,960,000	(5)%
Limited obligation bonds payable	6,910,000	7,795,000	(11)%
Three mill notes payable	4,070,000	4,440,000	(8)%
Shortfall notes payable	995,292	885,459	12%
Capital leases payable	3,675,000		
Compensated absences payable	642,283	903,549	(29)%
Total	<u>\$ 48,687,575</u>	<u>47,984,008</u>	<u>1%</u>

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

CURRENT ISSUES AND OTHER INFORMATION

The Jones County School 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. Enrollment for the 2011-2012 year decreased 1% from the prior school year to 8,324 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

JONES COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities
Assets	
<i>Cash and cash equivalents</i>	\$ 6,971,988
<i>Investments</i>	7,242,874
<i>Due from other governments</i>	3,696,734
<i>Accrued interest receivable</i>	38,248
<i>Other receivables, net</i>	10,825
<i>Inventories</i>	77,322
<i>Prepaid items</i>	731,751
<i>Deferred charges</i>	305,468
<i>Restricted assets</i>	4,097,556
<i>Capital assets, non-depreciable:</i>	
<i>Land</i>	771,863
<i>Capital assets, net of accumulated depreciation:</i>	
<i>Buildings</i>	67,290,280
<i>Building improvements</i>	5,126,458
<i>Mobile equipment</i>	2,179,779
<i>Furniture and equipment</i>	413,131
<i>Leased property under capital leases</i>	3,344,250
Total Assets	<u>102,298,527</u>
Liabilities	
<i>Accounts payable and accrued liabilities</i>	3,030,109
<i>Due to other governments</i>	1,852,659
<i>Interest payable on long-term liabilities</i>	599,379
Long-term liabilities (due within one year):	
<i>Capital related liabilities</i>	3,599,888
<i>Non-capital related liabilities</i>	466,373
Long-term liabilities (due beyond one year):	
<i>Capital related liabilities</i>	43,450,112
<i>Non-capital related liabilities</i>	1,171,202
Total Liabilities	<u>54,169,722</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	32,075,761
Restricted For:	
School Based Activities	2,169,447
Debt Service	832,915
Capital Improvements	11,658
Unemployment benefits	147,584
Forestry improvements	268,112
Non-expendable:	
Sixteenth Section	13,928,041
Unrestricted	(1,304,713)
Total Net Assets	<u>\$ 48,128,805</u>

The accompanying notes are an integral part of this statement.

JONES COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions		
Governmental Activities:					
<i>Instruction</i>	47,837,835	2,140,396	5,360,083	264,964	(40,072,392)
<i>Support services</i>	18,905,778	--	1,583,029	--	(17,322,749)
<i>Noninstructional services</i>	4,651,273	1,037,108	3,152,057	--	(462,108)
<i>Sixteenth section</i>	968,244	131,250	--	--	(836,994)
<i>Interest on long-term liabilities</i>	2,242,745	--	--	--	(2,242,745)
Total Governmental Activities	<u>\$ 74,605,875</u>	<u>\$ 3,308,754</u>	<u>\$ 10,095,169</u>	<u>\$ 264,964</u>	<u>(60,936,988)</u>
General Revenues:					
Taxes:					
<i>General purpose levies</i>					12,732,705
<i>Debt purpose levies</i>					866,759
<i>Unrestricted grants and contributions:</i>					
<i>State</i>					38,033,944
<i>Federal</i>					761,475
<i>Unrestricted investment earnings</i>					182,403
<i>Sixteenth section sources</i>					1,662,646
<i>Other</i>					95,928
Total General Revenues					<u>54,335,860</u>
Change in Net Assets					<u>(6,601,128)</u>
Net Assets - Beginning					54,729,933
Net Assets - Ending					<u>\$ 48,128,805</u>

The accompanying notes are an integral part of this statement.

JONES COUNTY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2012

	General Fund	16th Section Interest Fund
Assets		
<i>Cash and cash equivalents</i>	\$ 2,580,984	\$ 1,655,013
<i>Cash with fiscal agents</i>	--	--
<i>Investments</i>	4,622,918	568,533
<i>Due from other governments</i>	998,786	--
<i>Accrued interest receivable</i>	24,380	3,048
<i>Other receivables, net</i>	--	10,825
<i>Due from other funds</i>	9,196,081	674,036
<i>Advances to other funds</i>	--	--
<i>Inventories</i>	21,541	--
<i>Prepaid items</i>	606,526	--
Total Assets	\$ 18,051,216	\$ 2,911,455
Liabilities and Fund Balances		
Liabilities:		
<i>Accounts payable and accrued liabilities</i>	\$ 2,273,356	\$ 105,753
<i>Due to other funds</i>	7,789,431	2,804,234
<i>Advances from other funds</i>	6,766,328	--
Total Liabilities	16,829,115	2,909,987
Fund Balances:		
Nonspendable:		
Permanent fund principal	--	--
Inventory	21,541	--
Prepaid items	606,526	--
Advances	--	--
Restricted:		
Unemployment benefits	--	--
Forestry improvements	--	--
Capital improvements	--	--
Debt service	--	--
Grant activities	--	--
Food service	--	--
Sixteenth section interest	--	1,468
Assigned:		
Activity and athletics	349,399	--
Construction	53,906	--
Other purposes	11,952	--
Unassigned	178,777	--
Total Fund Balances	1,222,101	1,468
Total Liabilities and Fund Balances	\$ 18,051,216	\$ 2,911,455

The accompanying notes are an integral part of this statement.

EXHIBIT C

16th Section Principal Fund	Other Governmental Funds	Total Governmental Funds
\$ 3,594,633	\$ 2,735,991	\$ 10,566,621
--	502,923	502,923
1,733,593	317,830	7,242,874
--	916,252	1,915,038
9,141	1,679	38,248
--	--	10,825
1,421,314	1,347,722	12,639,153
7,517,633	--	7,517,633
--	55,781	77,322
--	125,225	731,751
<u>\$ 14,276,314</u>	<u>\$ 6,003,403</u>	<u>\$ 41,242,388</u>
\$ 348,273	\$ 302,727	\$ 3,030,109
--	1,673,049	12,266,714
--	--	6,766,328
<u>348,273</u>	<u>1,975,776</u>	<u>22,063,151</u>
6,410,408	--	6,410,408
--	55,781	77,322
--	125,225	731,751
7,517,633	--	7,517,633
--	--	--
--	147,584	147,584
--	268,112	268,112
--	11,658	11,658
--	1,432,294	1,432,294
--	1,031,387	1,031,387
--	1,011,020	1,011,020
--	--	1,468
--	--	349,399
--	--	53,906
--	--	11,952
--	(55,434)	123,343
<u>13,928,041</u>	<u>4,027,627</u>	<u>19,179,237</u>
<u>\$ 14,276,314</u>	<u>\$ 6,003,403</u>	<u>\$ 41,242,388</u>

JONES COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Total fund balances for governmental funds	\$ 19,179,237
Amounts reported for governmental activities in the Statement of Net Assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	79,125,761
Liabilities due in one year are not recognized in the funds.	(4,066,261)
Payables for bond principal which are not due in the current period are not reported in the funds.	(36,665,000)
Payables for capital leases which are not due in the current period are not reported in the funds.	(3,100,112)
Payables for bond interest which are not due in the current period are not reported in the funds.	(599,379)
Payables for notes which are not due in the current period are not reported in the funds.	(4,213,919)
Payables for compensated absences not due in the current period are not reported in the funds.	(642,283)
Bond issuance costs are capitalized in the SNA.	305,468
Other reconciling items	<u>(1,194,707)</u>
Net assets of governmental activities	<u>\$ 48,128,805</u>

The accompanying notes are an integral part of this statement.

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JONES COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	16th Section Interest Fund
Revenues:		
Local sources	\$ 15,015,940	\$ --
State sources	37,436,450	--
Federal sources	770,171	--
Sixteenth section sources	--	981,756
Total Revenues	<u>53,222,561</u>	<u>981,756</u>
Expenditures:		
Instruction	33,574,835	--
Support services	20,098,533	--
Noninstructional services	--	--
Sixteenth section	--	192,981
Facilities acquisition and construction	190,343	--
Debt service:		
Principal	--	--
Interest	315,605	--
Total Expenditures	<u>54,179,316</u>	<u>192,981</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(956,755)	788,775
Other Financing Sources (Uses):		
Insurance loss recoveries	22,846	--
Sale of other property	95,928	--
Transfers in	3,011,762	1,210
Transfers out	(4,987,905)	(2,804,155)
Total Other Financing Sources (Uses)	<u>(1,857,369)</u>	<u>(2,802,945)</u>
Net Change in Fund Balances	(2,814,124)	(2,014,170)
Fund Balances:		
July 1, 2011	4,036,654	2,015,638
Increase (decrease) in inventory	(429)	--
June 30, 2012	<u>\$ 1,222,101</u>	<u>\$ 1,468</u>

The accompanying notes are an integral part of this statement.

16th Section Principal Fund	Other Governmental Funds	Total Governmental Funds
\$ 40,427	\$ 1,903,004	\$ 16,959,371
--	2,481,285	39,917,735
--	8,467,646	9,237,817
682,389	129,751	1,793,896
<u>722,816</u>	<u>12,981,686</u>	<u>67,908,819</u>
51,401	6,751,906	40,378,142
--	2,010,841	22,109,374
--	4,066,887	4,066,887
678,549	96,714	968,244
--	127,191	317,534
--	3,327,457	3,327,457
--	1,712,706	2,028,311
<u>729,950</u>	<u>18,093,702</u>	<u>73,195,949</u>
(7,134)	(5,112,016)	(5,287,130)
--	--	22,846
--	--	95,928
--	4,986,694	7,999,666
--	(207,606)	(7,999,666)
<u>--</u>	<u>4,779,088</u>	<u>118,774</u>
(7,134)	(332,928)	(5,168,356)
13,935,175	4,358,678	24,346,145
--	1,877	1,448
<u>\$ 13,928,041</u>	<u>\$ 4,027,627</u>	<u>\$ 19,179,237</u>

JONES COUNTY SCHOOL DISTRICT

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012*

Net change in fund balances - total governmental funds	\$ (5,168,356)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	3,864,936
The depreciation of capital assets used in governmental activities is not reported in the funds.	(2,754,598)
Trade-in or disposal of capital assets decrease net assets in the SOA but not in the funds.	(597,668)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	2,450,000
Repayment of note principal is an expenditure in the funds but is not an expense in the SOA.	711,639
(Increase) decrease in accrued interest from beginning of period to end of period.	(48,616)
Change in inventory is an adjustment to fund balance in the funds but affects expense in the SOA.	1,448
Compensated absences are reported as amount earned in SOA but as amount paid in the funds.	261,266
Proceeds of notes do not provide revenue in the SOA, but are reported as current resources in the funds.	(4,126,472)
Other reconciling items	<u>(1,194,707)</u>
Change in net assets of governmental activities	<u>\$ (6,601,128)</u>

The accompanying notes are an integral part of this statement.

JONES COUNTY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

JUNE 30, 2012

	Private- Purpose Trust Funds	Agency Funds
Assets		
<i>Cash and other deposits</i>	\$ 2,253	\$ 1,035,564
<i>Investments</i>	20,000	--
<i>Due from other funds</i>	--	1,852,659
Total Assets	<u>\$ 22,253</u>	<u>\$ 2,888,223</u>
Liabilities		
<i>Accounts payable & accrued liabilities</i>		\$ 966,784
<i>Due to student clubs</i>		139,743
<i>Due to other funds</i>		1,781,696
Total Liabilities		<u>\$ 2,888,223</u>
Net Assets		
<i>Reserved for endowments</i>	\$ 22,253	
Total Net Assets	<u>\$ 22,253</u>	

The accompanying notes are an integral part of this statement.

JONES COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Private- Purpose Trust Funds</u>
Additions:	
Interest	\$ 2,253
Total Additions	<u>2,253</u>
Deductions:	
Supplies	<u>38</u>
Total Deductions	<u>38</u>
Change in Net Assets	2,215
Net Assets-Beginning of the Year	20,038
Net Assets-End of the Year	<u>\$ 22,253</u>

The accompanying notes are an integral part of this statement.

Jones County School District

Notes to the Financial Statements
June 30, 2012

Jones County School District

Notes to the Financial Statements
For the Year Ended June 30, 2012

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

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. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

Jones County School District

Notes to the Financial Statements For the Year Ended June 30, 2012

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.

Sixteenth Section Interest Fund - This is a special revenue fund that accounts for funds and expenditures associated with earnings on sixteenth section lands.

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

Jones County School District

Notes to the Financial Statements For the Year Ended June 30, 2012

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

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

The district's fiduciary funds include the following:

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

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

Scholarship Funds - These two (2) private purpose trust funds serve to report all trust arrangements.

Accounts Payable Clearing Fund - This fund serves as a clearing fund for payables outstanding at year end.

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.

Jones County School District

Notes to the Financial Statements
For the Year Ended June 30, 2012

FIDUCIARY FUNDS

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

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

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.

Jones County School District

Notes to the Financial Statements
For the Year Ended June 30, 2012

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

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 maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

Jones County School District

Notes to the Financial Statements For the Year Ended June 30, 2012

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 Sections 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."

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

Jones County School District

Notes to the Financial Statements For the Year Ended June 30, 2012

first-out basis). The costs of governmental fund type inventories are reported as expenditures when purchased.

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable debt statutes. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 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:

Jones County School District

Notes to the Financial Statements For the Year Ended June 30, 2012

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

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

Jones County School District

Notes to the Financial Statements For the Year Ended June 30, 2012

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 nonspendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

Nonspendable 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. 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 the Superintendent and Business Manager pursuant to authorization established by the policy adopted by the school district.

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

Jones County School District

Notes to the Financial Statements
For the Year Ended June 30, 2012

governmental funds, it may be necessary to report a negative unassigned fund balance.

When an expenditure 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 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.

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 5% of general fund revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

Note 2 - Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school 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

Jones County School District

Notes to the Financial Statements For the Year Ended June 30, 2012

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 \$10,566,621 and \$1,037,817, respectively. The bank balance was \$19,436,369.

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 \$19,436,369 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$502,923. This amount is reflected on Exhibit A as restricted assets.

Investments

As of June 30, 2012, all of the district's investments were in the Mississippi Education Investment Pool held at Bancorp South Investment Services, Inc. The carrying amount of the district's investments is \$7,262,874. All of this amount is at risk.

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

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

Jones County School District

Notes to the Financial Statements
For the Year Ended June 30, 2012

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

Concentration of Credit Risk. Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2012, all of the district's investments were in an external investment pool.

Note 3 - Inter-fund Transfers

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

Inter-fund Transfers			
Transfers In	Transfers Out		Amount
General Fund	16 th Section Interest Fund	\$	2,804,155
	Other Governmental Funds		207,607
16 th Section Interest Fund	General Fund		1,210
Other Governmental Funds	General Fund		4,986,694
Total		\$	<u>7,999,666</u>

Note 4 - Restricted Assets

The restricted assets represent the cash balance balance of \$3,594,633, 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 cash with fiscal agents balance totaling \$502,923, of the MAEP Limited Obligation Bond/Note Fund.

Note 5 - Capital Assets

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

Jones County School District

Notes to the Financial Statements For the Year Ended June 30, 2012

	Balance 7-1-2011	Additions	Retirements	Completed Construction	Balance 6-30-2012
<u>Non-depreciable capital assets:</u>					
Land	\$ 897,970		126,107		771,863
Construction in progress	191,090	127,191		(318,281)	0
Total non-depreciable capital assets	1,089,060	127,191	126,107	(318,281)	771,863
<u>Depreciable capital assets:</u>					
Buildings	88,006,975		1,002,064		87,004,911
Building improvements	7,501,505			318,281	7,819,786
Mobile equipment	5,354,164	62,745	866,214		4,550,695
Furniture and equipment	3,019,822		125,740		2,894,082
Leased property under capital leases		3,675,000			3,675,000
Total depreciable capital assets	103,882,466	3,737,745	1,994,018	318,281	105,944,474
<u>Less accumulated depreciation for:</u>					
Buildings	18,755,597	1,599,384	640,350		19,714,631
Building improvements	2,417,494	275,834			2,693,328
Mobile equipment	2,819,901	325,982	774,967		2,370,916
Furniture and equipment	2,365,443	222,648	107,140		2,480,951
Leased property under capital leases		330,750			330,750
Total accumulated depreciation	26,358,435	2,754,598	1,522,457	0	27,590,576
Total depreciable capital assets, net	77,524,031	983,147	471,561	318,281	78,353,898
Governmental activities capital assets, net	\$ 78,613,091	1,110,338	597,668	0	79,125,761

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 1,928,219
Support services	550,920
Non-instructional	275,459
Total depreciation expense	\$ 2,754,598

Note 6 - Long-term liabilities

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

Jones County School District

Notes to the Financial Statements
For the Year Ended June 30, 2012

	Balance 7-1-2011	Additions	Reductions	Balance 6-30-2012	Amounts due within one year
A. General obligation bonds payable	\$ 33,960,000		1,565,000	32,395,000	1,720,000
B. Limited obligation bonds payable	7,795,000		885,000	6,910,000	920,000
C. Three mill notes payable	4,440,000		370,000	4,070,000	385,000
D. Shortfall notes payable	885,459	451,472	341,639	995,292	466,373
E. Capital leases payable		3,675,000		3,675,000	574,888
F. Compensated absences payable	903,549		261,266	642,283	
Total	\$ 47,984,008	4,126,472	3,422,905	48,687,575	4,066,261

A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation refunding					
Bonds - Series 2003	1.25-4.2%	08-28-03	02-01-16	\$ 2,410,000	945,000
General obligation bonds,					
Series 2007	3.25-4.63%	04-01-07	10-01-25	37,000,000	31,450,000
Total				\$ 39,410,000	32,395,000

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

1. Bond issue Series 2003:

Year Ending June 30	Principal	Interest	Total
2013	\$ 220,000	38,390	258,390
2014	230,000	29,810	259,810
2015	240,000	20,610	260,610
2016	255,000	10,710	265,710
Total	\$ 945,000	99,520	1,044,520

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

Jones County School District

Notes to the Financial Statements
For the Year Ended June 30, 2012

2. Bond issue Series 2007:

Year Ending June 30	Principal	Interest	Total
2013	\$ 1,500,000	1,287,687	2,787,687
2014	1,600,000	1,220,687	2,820,687
2015	1,700,000	1,144,375	2,844,375
2016	1,800,000	1,063,438	2,863,438
2017	1,900,000	977,875	2,877,875
2018 - 2022	12,150,000	3,320,343	15,470,343
2023 - 2026	<u>10,800,000</u>	<u>641,814</u>	<u>11,441,814</u>
Total	\$ <u>31,450,000</u>	<u>9,656,219</u>	<u>41,106,219</u>

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

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2013	\$ 1,720,000	1,326,077	3,046,077
2014	1,830,000	1,250,497	3,080,497
2015	1,940,000	1,164,985	3,104,985
2016	2,055,000	1,074,148	3,129,148
2017	1,900,000	977,875	2,877,875
2018 - 2022	12,150,000	3,320,343	15,470,343
2023 - 2026	<u>10,800,000</u>	<u>641,814</u>	<u>11,441,814</u>
Total	\$ <u>32,395,000</u>	<u>9,755,739</u>	<u>42,150,739</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7 Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2012, the amount of outstanding bonded indebtedness was equal to 11% of property assessments as of October 1, 2011.

Jones County School District

Notes to the Financial Statements
For the Year Ended June 30, 2012

B. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvement Bonds, Series 2006	4.0-4.25%	08-31-06	02-01-18	\$ <u>9,925,000</u>	<u>6,910,000</u>

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

Year Ending June 30	Principal	Interest	Total
2013	\$ 920,000	261,425	1,181,425
2014	955,000	223,925	1,178,925
2015	995,000	184,925	1,179,925
2016	1,035,000	144,325	1,179,325
2017	1,075,000	67,700	1,142,700
2018	<u>1,930,000</u>	<u>91,950</u>	<u>2,021,950</u>
Total	\$ <u>6,910,000</u>	<u>974,250</u>	<u>7,884,250</u>

This debt will be retired from the State Aid Debt Service Fund.

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 of the Mississippi Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage.

C. Three Mill Notes Payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill note, Series 2003	1.25-4.35%	08-04-03	10-01-20	\$ <u>6,500,000</u>	<u>4,070,000</u>

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

Jones County School District

Notes to the Financial Statements
For the Year Ended June 30, 2012

Year Ending June 30		Principal	Interest	Total
2013	\$	385,000	156,464	541,464
2014		395,000	142,079	537,079
2015		410,000	126,882	536,882
2016		435,000	110,610	545,610
2017		450,000	93,128	543,128
2018 - 2021		<u>1,995,000</u>	<u>174,708</u>	<u>2,169,708</u>
Total	\$	<u><u>4,070,000</u></u>	<u><u>803,871</u></u>	<u><u>4,873,871</u></u>

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

D. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall note, Series 2009	3.50%	09-21-09	09-21-12	\$ 310,115	103,371
Shortfall note, Series 2010	3.27%	08-09-10	08-09-13	650,289	440,449
Shortfall note, Series 2011	2.81%	09-19-11	09-19-14	<u>451,472</u>	<u>451,472</u>
Total				\$ <u><u>1,411,876</u></u>	<u><u>995,292</u></u>

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

1. Shortfall 2009:

Year Ending June 30		Principal	Interest	Total
2013	\$	<u><u>103,371</u></u>	<u><u>3,618</u></u>	<u><u>106,989</u></u>

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

Jones County School District

Notes to the Financial Statements For the Year Ended June 30, 2012

2. Shortfall 2010:

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$	216,662	14,442	231,104
2014		<u>223,787</u>	<u>7,318</u>	<u>231,105</u>
Total	\$	<u>440,449</u>	<u>21,760</u>	<u>462,209</u>

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

3. Shortfall 2011:

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$	146,340	12,686	159,026
2014		150,452	8,574	159,026
2015		<u>154,680</u>	<u>4,347</u>	<u>159,027</u>
Total	\$	<u>451,472</u>	<u>25,607</u>	<u>477,079</u>

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

Total Shortfall notes payable payments for all issues:

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$	466,373	30,746	497,119
2014		374,239	15,892	390,131
2015		<u>154,680</u>	<u>4,347</u>	<u>159,027</u>
Total	\$	<u>995,292</u>	<u>50,985</u>	<u>1,046,277</u>

E. Obligations under capital leases payable

The school district has entered into a lease agreement as lessee for financing the acquisition of 50 school buses at a cost of \$3,675,000 with a down payment of \$0. This lease qualified as a capital lease for accounting purposes.

Jones County School District

Notes to the Financial Statements
For the Year Ended June 30, 2012

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Transportation Lease	2.53%	08-09-12	08-09-17	\$ <u>3,675,000</u>	<u>3,675,000</u>

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

Year Ending June 30	Principal	Interest	Total
2013	\$ 574,888	69,978	644,866
2014	589,432	78,433	667,865
2015	604,346	65,520	669,866
2016	619,636	48,230	667,866
2017	635,312	34,553	669,865
2018 - 2021	<u>651,386</u>	<u>16,480</u>	<u>667,866</u>
Total	\$ <u>3,675,000</u>	<u>313,194</u>	<u>3,988,194</u>

This debt will be retired from the District Maintenance Fund.

F. Compensated absences payable

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

Note 7 - Other Commitments

Operating Leases:

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

1. Two (2) Driver Ed Cars, at a total cost of \$28,418, with a refundable down payment of \$400 for each car.
2. Four (4) Driver Ed Cars, at a total cost of \$56,080, with a refundable down payment of \$400 for each car.

Lease expenditures for the year ended June 30, 2012, amounted to \$28,540. Future lease payments for these leases are as follows:

Jones County School District

Notes to the Financial Statements
For the Year Ended June 30, 2012

Year Ending June 30	Principal
2013	\$ 28,601
2014	14,645
Total	<u>\$ 43,246</u>

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 the 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 \$4,711,010, \$4,625,838, and \$4,238,966, 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.

Jones County School District

Notes to the Financial Statements
For the Year Ended June 30, 2012

Year Ending June 30	Amount
2013	\$ 112,256
2014	97,737
2015	84,925
2016	80,823
2017	71,458
2018 - 2022	324,303
2023 - 2027	237,713
2028 - 2032	137,362
2033 - 2037	35,339
2038 - 2042	<u>8,512</u>
Total	<u>\$ 1,190,428</u>

Note 10 - Risk Management

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

Note 11 - Insurance Loss Recoveries

The Jones County School District received \$22,846 in insurance loss recoveries related to property damage during the 2011-2012 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as instruction and support services.

Insurance Loss Recoveries	Percentage	Expenditure Function
\$ 16,771	73%	Support services
<u>6,075</u>	<u>27%</u>	Non-instructional
<u>\$ 22,846</u>	<u>100%</u>	

Note 12 - 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 Jones

Jones County School District

Notes to the Financial Statements
For the Year Ended June 30, 2012

County School District evaluated the activity of the district through the date the report was available to be issued, and determined that no subsequent events have occurred that require disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

JONES COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2012

Exhibit 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 13,359,036	\$ 13,359,036	\$ 15,015,940	\$ 0	\$ 1,656,904
State sources	37,436,449	37,436,449	37,436,450	0	1
Federal sources	770,171	770,171	770,171	0	0
Total Revenues	<u>51,565,656</u>	<u>51,565,656</u>	<u>53,222,561</u>	<u>0</u>	<u>1,656,905</u>
Expenditures:					
Instruction	32,076,313	32,076,313	33,574,835	0	(1,498,522)
Support services	20,134,957	20,134,957	20,098,533	0	36,424
Facilities acquisition and construction	182,361	182,361	190,343	0	(7,982)
Debt service:					
Interest	315,605	315,605	315,605	0	0
Total Expenditures	<u>52,709,236</u>	<u>52,709,236</u>	<u>54,179,316</u>	<u>0</u>	<u>(1,470,080)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(1,143,580)</u>	<u>(1,143,580)</u>	<u>(956,755)</u>	<u>0</u>	<u>186,825</u>
Other Financing Sources (Uses):					
Insurance loss recoveries	22,846	22,846	22,846	0	0
Sale of other property	95,928	95,928	95,928	0	0
Operating transfers in	10,976,546	10,976,546	3,011,762	0	(7,964,784)
Operating transfers out	(12,953,956)	(12,953,956)	(4,987,905)	0	7,966,051
Total Other Financing Sources (Uses)	<u>(1,858,636)</u>	<u>(1,858,636)</u>	<u>(1,857,369)</u>	<u>0</u>	<u>1,267</u>
Net Change in Fund Balances	(3,002,216)	(3,002,216)	(2,814,124)	0	188,092
Fund Balances:					
July 1, 2011	2,000,000	2,000,000	4,036,654	0	2,036,654
Increase (Decrease) in inventory			(429)	0	(429)
June 30, 2012	<u>\$ (1,002,216)</u>	<u>\$ (1,002,216)</u>	<u>\$ 1,222,101</u>	<u>\$ 0</u>	<u>\$ 2,224,317</u>

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

JONES COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 16th Section Interest Fund
 For the Year Ended June 30, 2012

Exhibit 2

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	\$ 980,978	980,978	981,756	0	778
Total Revenues	<u>980,978</u>	<u>980,978</u>	<u>981,756</u>	<u>0</u>	<u>778</u>
Expenditures:					
Sixteenth section	125,824	125,824	192,981	0	(67,157)
Total Expenditures	<u>125,824</u>	<u>125,824</u>	<u>192,981</u>	<u>0</u>	<u>(67,157)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>855,154</u>	<u>855,154</u>	<u>788,775</u>	<u>0</u>	<u>(66,379)</u>
Other Financing Sources (Uses):					
Operating transfers in	2,824	2,824	1,210	0	4,034
Operating transfers out	<u>(2,805,771)</u>	<u>(2,805,771)</u>	<u>(2,804,155)</u>	<u>0</u>	<u>1,616</u>
Total Other Financing Sources (Uses)	<u>(2,802,947)</u>	<u>(2,802,947)</u>	<u>(2,802,945)</u>	<u>0</u>	<u>2</u>
Net Change in Fund Balances	(1,947,793)	(1,947,793)	(2,014,170)	0	(66,377)
Fund Balances:					
July 1, 2011	0	0	2,015,638	0	2,015,638
June 30, 2012	<u>\$ (1,947,793)</u>	<u>(1,947,793)</u>	<u>1,468</u>	<u>0</u>	<u>1,949,261</u>

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

Jones County School District

Notes to the Required Supplemental Information
For the Year Ended June 30, 2012

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 Special Revenue Fund consistent with accounting principles generally accepted in the United States of America.

SUPPLEMENTAL INFORMATION

Jones County School District**Schedule 1**Schedule of Expenditure of Federal Awards
For the Year Ended June 30, 2012

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U. S. DEPARTMENT OF AGRICULTURE</u>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 708,123
National School Lunch Program	10.555	2,534,647
Total Child Nutrition Cluster		<u>3,242,770</u>
Total passed-through Mississippi Department of Education		<u>3,242,770</u>
Passed-through Jones County:		
Schools and Roads - Grants to Counties	10.666	52,929
Total passed-through Jones County		<u>52,929</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE		<u>3,295,699</u>
<u>FEDERAL COMMUNICATIONS COMMISSION</u>		
Administered through the Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	472,416
Total Federal Communications Commission		<u>472,416</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>		
Passed-through the Mississippi Department of Education:		
Title I Cluster:		
Title I Grants to Local Educational Agencies	84.010	2,116,100
ARRA - Title I Grants to Local Educational Agencies - Recovery Act	84.389	41,742
Total Title I Cluster		<u>2,157,842</u>
Adult Education - Basic Grants to States	84.002	63,416
Career and Technical Education - Basic Grants to States	84.048	127,376
Safe and Drug-Free Schools and Communities - State Grants	84.186	4,312
Educational Technology State Grants	84.318	6,000
Rural Education	84.358	120,334
English Language Acquisition Grants	84.365	62,807
Improving Teacher Quality - State Grants	84.367	424,394
Teacher Incentive Fund	84.374	98,118
Education Jobs Fund	84.410	53,449
Subtotal		<u>960,206</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	1,636,666
Special Education - Preschool Grants	84.173	62,475
ARRA Special Education - Grants to States, Recovery Act	84.391	293,586
ARRA Special Education - Preschool Grants, Recovery Act	84.392	46,323
Total Special Education Cluster		<u>2,039,050</u>
Total passed-through the Mississippi Department of Education		<u>5,157,098</u>
TOTAL U. S. DEPARTMENT OF EDUCATION		<u>5,157,098</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
Passed-through Mississippi Department of Health:		
Medical Assistance Program	93.778	236,130
Total passed-through Mississippi Department of Health		<u>236,130</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>236,130</u>
TOTAL FOR ALL FEDERAL AWARDS		<u>\$ 9,161,343</u>

Notes to Schedule

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

Jones County School District

Schedule 2

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	\$ 50,812,590	39,872,046	1,337,575	3,316,322	6,286,647
Other	22,383,359	4,498,189	315,396	220,021	17,349,753
Total	\$ <u>73,195,949</u>	<u>44,370,235</u>	<u>1,652,971</u>	<u>3,536,343</u>	<u>23,636,400</u>
 Total number of students *	 8,324				
Cost per student	\$ 8,794	5,330	199	425	2,840

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; Support Services - Business

School Administration - includes expenditures for the following functions: 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

JONES COUNTY SCHOOL DISTRICT

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

"UNAUDITED"

	<u>2012</u>	<u>2011*</u>	<u>2010*</u>	<u>2009*</u>
Revenues:				
Local sources	\$ 15,015,940	14,749,211	14,878,368	15,676,871
State sources	37,436,450	34,944,963	34,891,974	38,180,589
Federal sources	770,171	312,967	125,968	607,235
Total Revenues	<u>53,222,561</u>	<u>50,007,141</u>	<u>49,896,310</u>	<u>54,464,695</u>
Expenditures:				
Instruction	33,574,835	27,308,843	30,691,215	34,673,122
Support services	20,098,533	16,771,030	17,077,632	17,594,372
Noninstructional services		519,986		
Facilities acquisition and construction	190,343	100,339		15,000
Debt service:				
Principal			345,000	13,408
Interest	315,605	330,067	129	156,925
Total Expenditures	<u>54,179,316</u>	<u>45,030,265</u>	<u>48,113,976</u>	<u>52,452,827</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(956,755)</u>	<u>4,976,876</u>	<u>1,782,334</u>	<u>2,011,868</u>
Other Financing Sources (Uses):				
Proceeds of notes			310,115	
Insurance loss recoveries	22,846	80,324	81,796	15,509
Sale of other property	95,928			8,000
Operating transfers in	3,011,762	1,032,832	1,628,487	1,453,625
Operating transfers out	(4,987,905)	(5,357,506)	(4,952,168)	(8,555,337)
Other financing uses				(169,580)
Total Other Financing Sources (Uses)	<u>(1,857,369)</u>	<u>(4,244,350)</u>	<u>(2,931,770)</u>	<u>(7,247,783)</u>
Net Change in Fund Balances	(2,814,124)	732,526	(1,149,436)	(5,235,915)
Fund Balances:				
July 1,	4,036,654	3,312,585	4,453,928	9,690,415
Increase (Decrease) in inventory	(429)	(8,457)	8,093	(572)
June 30,	<u>\$ 1,222,101</u>	<u>4,036,654</u>	<u>3,312,585</u>	<u>4,453,928</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

JONES COUNTY SCHOOL DISTRICT

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

"UNAUDITED"

	2012	2011*	2010*	2009*
Revenues:				
Local sources	\$ 16,959,371	16,808,851	17,492,654	17,729,737
State sources	39,917,735	37,449,575	37,286,939	40,700,198
Federal sources	9,237,817	13,571,310	12,276,794	8,439,631
Sixteenth section sources	1,793,896	1,375,528	2,291,400	1,888,929
Total Revenues	<u>67,908,819</u>	<u>69,205,264</u>	<u>69,347,787</u>	<u>68,758,495</u>
Expenditures:				
Instruction	40,378,142	38,294,060	39,987,374	41,135,276
Support services	22,109,374	18,986,886	19,850,467	21,001,146
Noninstructional services	4,066,887	4,218,174	3,794,133	4,495,086
Sixteenth section	968,244	81,591	502,335	600,764
Facilities acquisition and construction	317,534	311,489	334,631	9,946,967
Debt service:				
Principal	3,327,457	2,876,889	2,563,635	2,407,195
Interest	2,028,311	2,248,752	2,439,643	1,086,401
Other		40,834	6,154	
Total Expenditures	<u>73,195,949</u>	<u>67,058,675</u>	<u>69,478,372</u>	<u>80,672,835</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(5,287,130)</u>	<u>2,146,589</u>	<u>(130,585)</u>	<u>(11,914,340)</u>
Other Financing Sources (Uses):				
Proceeds of notes		650,289	310,115	85,346
Insurance loss recoveries	22,846	80,324	82,438	572,362
Sale of other property	95,928			8,679
Operating transfers in	7,999,666	6,390,338	6,580,664	10,212,236
Operating transfers out	(7,999,666)	(6,390,338)	(6,580,664)	(10,211,510)
Other financing uses				(266,028)
Total Other Financing Sources (Uses)	<u>118,774</u>	<u>730,613</u>	<u>392,553</u>	<u>401,085</u>
Net Change in Fund Balances	(5,168,356)	2,877,202	261,968	(11,513,255)
Fund Balances:				
July 1, as previously reported	24,346,145	21,476,502	21,191,838	32,700,192
Prior period adjustment				
July 1, as restated	<u>24,346,145</u>	<u>21,476,502</u>	<u>21,191,838</u>	<u>32,700,192</u>
Increase (Decrease) in inventory	1,448	(7,559)	22,696	4,901
June 30,	<u>\$ 19,179,237</u>	<u>24,346,145</u>	<u>21,476,502</u>	<u>21,191,838</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Jones County School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Jones County School District as of and for the year ended June 30, 2012, which collectively comprise the Jones County School District's basic financial statements and have issued our report thereon dated August 20, 2013. The report was qualified due to the inadequacy of the accounting records. We were unable to obtain sufficient appropriate audit evidence regarding amounts presented for cash and cash equivalents, due to and from other funds as well as advances to and from other funds. Cash and cash equivalents were stated at \$11,604,438, due to other funds at \$14,048,410, due from other funds at \$14,491,812, advances to other funds at \$7,517,633 and advances from other funds \$6,766,328. Except as discussed in the preceding sentence, 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 the Jones County School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Jones County School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Jones County School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Jones County School District's internal control over financial reporting.

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

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness. [Finding **2012-1**].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jones County 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as **Finding 2012-1**.

We noted certain matters that we reported to management of the Jones County School District in a separate letter dated August 20, 2013.

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
August 20, 2013

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Jones County School District

Compliance

We have audited Jones County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Jones County School District's major federal programs for the year ended June 30, 2012. The Jones County School District's major federal programs are identified in the summary of the 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 Jones County 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 Jones County 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 Jones County School District's compliance with those requirements.

As described in **Finding 2012-3**, in the accompanying schedule of findings and questioned costs, Jones County School District did not comply with requirements regarding cash management that are applicable to its Title I Cluster, the Special Education Cluster and Improving Teacher Quality - State Grants. Compliance with such requirements is necessary, in our opinion, for the school district to comply with the requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, Jones 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

Management of the Jones County School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Jones County School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as **Finding 2012-3** to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as **Finding 2012-2** to be a significant deficiency.

Jones County School District's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit Jones County School District's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, others within the entity, 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.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
August 20, 2013

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Jones County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jones County School District as of and for the year ended June 30, 2012, which collectively comprise Jones County School District's basic financial statements and have issued our report thereon dated August 20, 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 ensure 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 \$10,685 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 ensure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

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

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

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

1929 SPILLWAY ROAD, SUITE B
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

and your responses are as follows:

Finding # 1:

Section 37-61-19, Miss. Code Ann. (1972), states that it shall be the duty of the Superintendent and school board members to limit the expenditure of school funds during the fiscal year to the resources available. Three funds were noted containing deficit cash balances totaling \$356,181 that were not eliminated with interfund loans from District Maintenance. The funds with deficit cash balance are as follows:

- Extended School Year (2090) \$ 8,421
- Gym Air Conditioning (3035) 53,268
- Accounts Payable Clearing (7500) 294,492

Noncompliance occurred when the District did not properly reconcile expenditures with available resources. Noncompliance with Section 37-61-19, Miss. Code Ann. (1972), could result in the District violating state laws regarding limiting expenditures to resources available for each fiscal year.

Recommendation:

In addition to legal compliance on the part of the District, we recommend the District set up interfund loans and/or transfer funds to cover deficit balances in the funds listed above.

Response:

The district will put into place procedures to eliminate negative deficit balances effective FY 2012-2013.

Finding # 2:

Section 29-3-113, Miss. Code Ann. (1972), states that borrowed 16th Section Principal funds should be repaid in a timely manner back to the affected fund(s). It was noted that interfund loans were set up to show transactions between the District Maintenance fund (borrower) and 16th Section Principal Funds (lender). Instead of showing cash being transacted during the annual payments made in June of each year, the principal amount due was set up in an interfund loan with no transaction showing where cash was moved. Per financial records, interfund loans totaling \$1,421,313.80 were set up between District Maintenance and 16th Section Principal Fund 7217 and Fund 7223. Furthermore, no Board approval was noted in the minutes for these transactions.

Recommendation:

The District should determine the proper resolution for all Funds that have been affected and either produce documentation of the Board's approval of borrowing 16th section principal funds or return the funds to the 16th section principal fund. The only activity between these two funds should be where annual payments are made from District Maintenance for debt payment as a result of borrowing already incurred with 4% interest.

Response:

The district is in the process of resolving the transaction between the 16th Section Principal funds and district funds. Amortization schedules have been created for each loan.

Finding # 3:

The school district's cash balance in the Unemployment Fund was insufficient as to the amount required by Section 71-5-359. This section requires that the balance in this fund be maintained at 2% of the covered wages paid during the next preceding year. The amount that should have been in the fund at June 30, 2012 was \$152,400. The district had \$148,459 in the fund.

Recommendation:

The cash balance kept in the Unemployment Fund should be in compliance with Section 71-5-359.

Response:

The district has implemented a process for determining the required amounts for the Unemployment Funds and the process will be in place for FY 2013.

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

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

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
August 20, 2013

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Jones County School District

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Qualified.
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? Yes.
 - b. Significant deficiency(ies) identified? None reported.
3. Noncompliance material to financial statements noted? Yes.

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? Yes.
 - b. Significant deficiency(ies) identified? Yes.
5. Type of auditor's report issued on compliance for major programs:

Child Nutrition Cluster - Unqualified
Title I Cluster - Qualified
Special Education Cluster - Qualified
Improving Teacher Quality - State Grants - Qualified
The Schools and Libraries Program of the Universal Service Fund - Unqualified

6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes.
7. Identification of major programs:

CFDA #	Description
10.553 & 10.555	Child Nutrition Cluster
84.010 & 84.389	Title I Cluster
84.027, 84.173, 84.391 & 84.392	Special Education Cluster
84.367	Improving Teacher Quality - State Grants
32.xxx	The Schools and Libraries Program of the Universal Service Fund

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

9. Auditee qualified as low-risk auditee? No.

Section II: Financial Statement Findings

The results of our tests disclosed the following finding related to the financial statements that is required to be reported by *Government Auditing Standards*.

Material Weakness and Material Noncompliance:

Finding 2012-1:

Management is responsible for establishing an internal control system that ensures strong financial accountability and proper safeguarding of assets. A critical aspect of financial management is the maintenance of accurate accounting records. During the audit, we noted several discrepancies with the information provided.

1. Numerous bank statements, including major bank accounts such as District operations, payroll and accounts payable among other accounts, were not reconciled as of the fiscal year-end date of the audit, June 30, 2012. During fieldwork starting on May 28, 2013, District personnel were attempting to reconcile bank statements up to the fiscal year-end date to provide to auditors for fieldwork procedures. Furthermore, District bank statements were not reconciled beyond June 30, 2012 at the time of fieldwork.
2. Investments were not posted to market value totaling \$7,262,873. Investments totaling \$7,218,306 were posted to District records. An audit adjustment was proposed to management and made to properly present investments.
3. Cash with fiscal agents was not posted to market value totaling \$502,923. Only \$42,181 was posted to District records. An audit adjustment was proposed to management and made to properly present cash with fiscal agents.
4. Fourteen (14) federal funds had cash balances at year-end totaling \$347,125.86. Funds used for federal reimbursement grants should carry no cash balance at year-end since these funds should match expenditures previously incurred. Significant cash balances noted include: Title I-A Basic Fund (2211) - \$55,492.24; Title II Improving Teacher Quality (2511) - \$26,221.47; Education Jobs (2550) - \$53,449.00; Title III Fund(2560) - \$77,878.76; IDEA Part B (2610) - \$86,755.85; IDEA Preschool (2620) - \$9,771.49; Adult Basic Education (2910) - \$18,867.34 and Title VI Rural/Low Income (2917) - \$7,062.25.
5. Reconciled bank statement balances totaling \$13,690,533 were greater than reported book balances totaling \$12,149,551. Bank statement reconciling items for numerous operating accounts could not be traced to subsequent bank statement activity. Furthermore, subsequent bank statements post June 30, 2012 were not reconciled.

6. A difference of \$443,402 was noted between amounts due from other funds and amounts due to other funds. Interfund loans are primarily set up for the following purposes: a) to cover deficit cash balances in federal reimbursement-type funds at year-end and b) Board-approved action loaning cash from one fund to another subject to legal restrictions. Numerous loans were noted that did not appear to be Board approved. Included in this activity were transactions to various 16th Section Principal funds from District Maintenance totaling \$1,421,314 and to District Maintenance from 16th Section Interest funds totaling \$2,804,235.
7. A difference of \$751,305 was noted between amounts advances to and from other funds. Amortization schedules for various 16th Section Principal loans were incomplete with data missing for a new loan and transactions not booked for payments from District Maintenance to the 16th Section Principal funds affected.
8. Material bank statement activity pertaining to recognition of \$3,675,000 in loan proceeds was not booked to District records. District personnel discovered this omission in January 2013 several months after FETS financial statement documentation was posted with the Mississippi Department of Education. District personnel repeatedly made postings to centralized accounting records after the submission of FETS documentation. In effect, audit information for the various audit areas changed after supposedly closing the accounting information for the period being audited.
9. Unreconciled differences totaling \$153,805 from financial information provided by the District to amounts noted from the prior period audit report fund balances. The District was unable to provide explanations as to the differences noted.

Recommendation:

We recommend management implement policies or procedures to establish an internal control system that will insure strong financial accountability, proper safeguarding of assets, and accurate accounting records. Particularly, we recommend 1) bank statements be reconciled to current, 2) interfund loans be set up and Board approved for specific purposes with proper explanation provided and 3) 16th Section Principal advances be properly reconciled and reflect actual activity that has been properly approved by the Board.

Section III: Federal Award Findings and Questioned Costs

The results of our tests disclosed the following findings and questioned costs related to the federal awards.

Significant Deficiency:

Finding 2012-2:

Program: SPED Cluster, passed through the Mississippi Department of Education
CFDA# 84.027, 84.173, 84.391 & 84.392

Compliance requirement: Allowable Costs/Cost Principles

Office of Management and Budget (OMB) Circular A-87 governs required documentation to support the time and effort of employees who are paid from federal award programs. The school district does not consolidate Federal funds with state and local funds in a consolidated school wide pool. Therefore, an employee who works solely on a single cost objective must furnish a semi-annual certification that he/she has been engaged solely in the activities of the program. The certifications must be signed by the employee or a supervisory official having first-hand knowledge of the work performed by the employee.

An employee who works on multiple activities or cost objectives must maintain time and effort distribution records in accordance with OMB Circular A-87, Attachment B.

The school district did not require semi-annual certifications or time and effort distribution records from its SPED employees. We were able to satisfy ourselves through other audit procedures that the employees did work in the activities of the program.

Failure to develop a system and adequately document the time and effort associated with payroll expenditures for these employees constitutes a deficiency in internal control over compliance.

Recommendation:

We recommend that the district develop a system for documenting the time and effort of SPED employees by requiring that each employee furnish a semi-annual certification or time and effort distribution records as required by OMB Circular A-87.

Material Weakness and Material Noncompliance

Finding 2012-3:

Programs: Title I Cluster
CFDA #84.010 and 84.389

Improving Teacher Quality State Grants
CFDA #84.367

Special Education Cluster
CFDA #84.027, #84.173, #84.391 and #84.392

Compliance requirement: Cash Management

Cash balances were noted in these major federal programs at year-end. Each of these programs are reimbursement type grants. Funds for these programs are to be drawn after incurring expenditures by requesting cash for the amount incurred. A negative cash balance should exist in funds specifically set up as federal reimbursement-type funds at year-end which is covered by

creating an interfund loan from District Maintenance to negate the negative cash amount. At June 30, 2012, cash balances were positive balances as follows for the major federal programs:

- Title I Cluster \$56,293.46
- Improving Teacher Quality State Grants 26,221.47
- Special Education Cluster 101,790.53

(Also, see finding 2012-1, item #4, related to this finding)

Recommendation:

We recommend management implement internal control procedures to ensure that cash balances in excess of amounts expended do not occur upon requesting cash for program activity.

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

Jones County School District
5204 Hwy. 11 N
Ellisville, MS 39437
Tommy Parker- Superintendent
Sarah Sumrall - Business Manager

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section __.315(c) of OMB Circular A-133, the Jones County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2012:

<u>Findings</u>	<u>Corrective Action Plan Details</u>
2012-1	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Sarah Sumrall Title: Business Manager Phone Number: 601-649-5201</p> <p>b. Corrective Action Planned:</p> <p>Management will implement policies or procedures to establish an internal control system that will ensure strong financial accountability, proper safeguarding of assets, and accurate accounting records.</p> <p>i. Procedures will also be established to ensure that bank reconciliations are reconciled promptly and balance to the general ledger.</p> <p>ii. All investment activity will be captured in a subsidiary ledger and posted in a timely manner.</p> <p>iii. Request for reimbursements of federal funds will be done using more accurate data so that excess cash will not be received.</p> <p>iv. A subsidiary ledger for interfund loans will be established to help better ensure that all interfund activity is repaid in a timely manner. All interfund loans, when required, will be board approved before made.</p> <p>v. 16th section principal advances will be board approved before issuance. Amortization schedules of all advances will be developed and updated in a timely manner.</p> <p>vi. Procedures will be put in place to prevent adjustments to financial records after submission of FETS documentation.</p>

Jones County School District
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Tommy Parker- Superintendent
Sarah Sumrall - Business Manager

AUDITEE'S CORRECTIVE ACTION PLAN (continued)

As required by Section ____.315(c) of OMB Circular A-133, the Jones County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2012:

<u>Findings</u>	<u>Corrective Action Plan Details</u>
2012-1	<p>b. Corrective Action Planned:</p> <p>vii. Procedures will be implemented to verify that all beginning balance sheet amounts agree with prior year end of year adjusted amounts.</p> <p>c. Anticipated Completion Date:</p> <p style="text-align:center">June 30, 2013</p>
2012-2	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Sarah Sumrall Title: Business Manager Phone Number: 601-649-5201</p> <p>b. Corrective Action Planned:</p> <p>The District will implement internal control procedures to ensure semi-annual certification or time and effort distribution records are documented as required by OMB Circular A-87.</p> <p>c. Anticipated Completion Date:</p> <p style="text-align:center">June 30, 2013</p>

Jones County School District
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Sarah Sumrall - Business Manager

AUDITEE'S CORRECTIVE ACTION PLAN (continued)

As required by Section __.315(c) of OMB Circular A-133, the Jones County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2012:

<u>Findings</u>	<u>Corrective Action Plan Details</u>
2012-3	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Sarah Sumrall Title: Business Manager Phone Number: 601-649-5201</p> <p>b. Corrective Action Planned:</p> <p>The District will implement internal control procedures to ensure that excess cash balances do not occur.</p> <p>c. Anticipated Completion Date:</p> <p>June 30, 2014</p>

Jones County School District
5204 Hwy. 11 N
Ellisville, MS 39437
Tommy Parker- Superintendent
Sarah Sumrall - Business Manager

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

As required by Section ____.315(b) of OMB Circular A-133, the Jones County School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2012:

<u>Finding</u>	<u>Status</u>
2011-2	Corrected