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JACKSON COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2013

Charles L. Shivers, CPA
Ridgeland, MS

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INDEPENDENT AUDITOR'S REPORT

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CHARLES L. SHIVERS

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Jackson County School District

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson County School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Jackson County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
General Fund	Unmodified
Major Fund – FEMA/MEMA Fund	Unmodified
Major Fund – Construction and Improvement Fund	Unmodified
Major Fund – Three Mill Construction Fund	Unmodified
Aggregate Remaining Fund Information	Qualified

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Basis for Qualified Opinion on Aggregate Remaining Fund Information

Due to the timing of the audit engagement, I was unable to observe the counting of the physical inventories included in the Aggregate Remaining Fund Information. Furthermore, I was unable to apply other appropriate procedures to establish the existence of the inventories. The possible effects on the Aggregate Remaining Fund Information of undetected misstatements, if any, could be material but not pervasive.

Qualified Opinion

In my opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion on the Aggregate Remaining Fund Information" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Jackson County School District, as of June 30, 2013, and the changes in financial position of the Aggregate Remaining Fund Information thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Jackson County School District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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. I have applied certain limited procedures to the required supplementary 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jackson County School District's basic 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), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and 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 are presented for purposes of additional analysis and are not a required part of the basic 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, as required by the Mississippi State Auditor's Office, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic 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 my opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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, as required by the Mississippi Department of Education, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated June 30, 2014, on my consideration of the Jackson County School District's internal control over financial reporting and on my 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 my 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* in considering Jackson County School District's internal control over financial reporting and compliance.

Charles L. Shivers, CPA

Ridgeland, MS
June 30, 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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The following discussion and analysis of Jackson County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2013 increased $341,734, which represents a .4% increase from fiscal year 2012. Total net position for 2012 decreased $5,305,057, including a prior period adjustment of ($1,116,938), which represents a 5% decrease from fiscal year 2011.

- General revenues amounted to $61,985,747 and $58,986,663, or 86% and 85% of all revenues for fiscal years 2013 and 2012, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for $9,737,966, or 14% of total revenues for 2013, and $10,429,195, or 15% of total revenues for 2012.

- The District had $71,381,979 and $73,603,977 in expenses for fiscal years 2013 and 2012; only $9,737,966 for 2013 and $10,429,195 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of $61,985,747 for 2013 were adequate and $58,986,663 for 2012 were not adequate to provide for these programs.

- Among major funds, the General Fund had $60,317,933 in revenues and $58,708,357 in expenditures for 2013, and $57,352,711 in revenues and $59,954,967 in expenditures in 2012. The General Fund's fund balance increased by $696,353 from 2012 to 2013, and decreased by $1,708,142 from 2011 to 2012.

- Capital assets, net of accumulated depreciation, increased by $2,218,014 for 2013 and decreased by $1,508,602 for 2012. The increase for 2013 was due to the addition of capital assets coupled with the increase in accumulated depreciation.

- Long-term debt increased by $6,683,409 for 2013 and decreased by $1,625,335 for 2012. This increase for 2013 was due primarily to the issuance of three mill notes and principal payments on outstanding long-term debt. The liability for compensated absences decreased by $12,262 for 2013 and decreased by $20,158 for 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 supplementary information, supplementary 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 Position 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 Position presents information on all the District's nonfiduciary assets and liabilities, with the differences between the two reported as "net position." Over time, increases or decreases in the District's net position 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 position changed during the most recent fiscal year. All changes in net position 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 and other expenses on long-term liabilities.

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Position, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary 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.

Supplementary 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 position

Net position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $94,116,228 as of June 30, 2013.

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 position at June 30, 2013 and June 30, 2012.

Table 1
Condensed Statement of Net Position

	June 30, 2013	June 30, 2012	Percentage Change
Current assets	$ 12,443,807	$ 13,006,161	(4.32) %
Restricted assets	9,862,320	8,015,941	23.03 %
Capital assets, net	91,365,814	89,147,800	2.49 %
Total assets	**113,671,941**	**110,169,902**	**3.18 %**
Deferred outflows of resources	0	0	N/A
Current liabilities	1,771,256	5,535,087	(68.00) %
Long-term debt outstanding	17,543,730	10,860,321	61.54 %
Total liabilities	**19,314,986**	**16,395,408**	**17.81 %**
Deferred inflows of resources	240,727	0	N/A
Net position:			
Net investment in capital assets	79,926,363	80,891,442	(1.19) %
Restricted	4,563,874	3,374,247	35.26 %
Unrestricted	9,625,991	9,508,805	1.23 %
Total net position	**$ 94,116,228**	**$ 93,774,494**	**0.36 %**

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

- Increase in net capital assets in the amount of $2,218,014.
- Issuance of three mill notes in the amount of $8,800,000
- The principal retirement of $1,703,118 of long-term debt.
- An adjustment for imputed interest on a zero interest loan in the amount of $401,211.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were $71,723,713 and $69,415,858, respectively. The total cost of all programs and services was $71,381,979 for 2013 and $73,603,977 for 2012.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2013 and June 30, 2012.

Table 2
Changes in Net Position

	Year Ended June 30, 2013	Year Ended June 30, 2012	Percentage Change
Revenues:			
Program revenues:			
Charges for services	$ 1,878,959	$ 2,104,877	(10.73) %
Operating grants and contributions	7,859,007	8,324,318	(5.59) %
General revenues:			
Property taxes	24,101,033	20,705,666	16.40 %
Grants and contributions not restricted	37,261,447	37,258,316	0.01 %
Investment earnings	29,334	44,290	(33.77) %
Sixteenth section sources	414,761	823,246	(49.62) %
Other	179,172	155,145	15.49 %
Total revenues	**71,723,713**	**69,415,858**	**3.32 %**
Expenses:			
Instruction	41,602,446	40,536,515	2.63 %
Support services	25,371,297	26,490,314	(4.22) %
Non-instructional	3,920,366	6,233,041	(37.10) %
Sixteenth section	54,899	31,046	76.83 %
Interest on long-term liabilities	432,971	313,061	38.30 %
Total expenses	**71,381,979**	**73,603,977**	**(3.02) %**
Increase (Decrease) in net position	**341,734**	**(4,188,119)**	**(108.16) %**
Net Position, July 1, as previously reported *	**93,774,494**	**99,079,551**	(5.35) %
Prior Period Adjustment	**0**	**(1,116,938)**	(100.00) %
Net Position, July 1, as restated *	**93,774,494**	**97,962,613**	**(4.28) %**
Net Position, June 30	**$ 94,116,228**	**$ 93,774,494**	**0.36 %**

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
	2013	**2012**	**Change**
Instruction	$ 41,602,446	$ 40,536,515	2.63 %
Support services	25,371,297	26,490,314	(4.22) %
Non-instructional	3,920,366	6,233,041	(37.10) %
Sixteenth section	54,899	31,046	76.83 %
Interest on long-term liabilities	432,971	313,061	38.30 %
Total expenses	**$ 71,381,979**	**$ 73,603,977**	**(3.02) %**

	Net (Expense) Revenue		Percentage
	2013	2012	Change
Instruction	$ (37,972,901)	$ (36,448,635)	4.18 %
Support services	(23,202,563)	(24,022,435)	(3.41) %
Non-instructional	19,321	(2,398,737)	(100.81) %
Sixteenth section	(54,899)	8,086	(778.94) %
Interest on long-term liabilities	(432,971)	(313,061)	38.30 %
Total net (expense) revenue	**$ (61,644,013)**	**$ (63,174,782)**	**(2.42) %**

- Net cost of governmental activities ($61,644,013 for 2013 and $63,174,782 for 2012) was financed by general revenue, which is primarily made up of property taxes ($24,101,033 for 2013 and $20,705,666 for 2012) and state and federal revenues ($37,261,447 for 2013 and $37,258,316 for 2012). In addition, there was $414,761 and $823,246 in Sixteenth Section sources for 2013 and 2012, respectively.

- Investment earnings amounted to $29,334 for 2013 and $44,290 for 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 $20,847,246, an increase of $5,339,156, which includes an increase in inventory of $71,189. $5,106,627 or 25% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of $15,740,619 or 75% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was $696,353. The fund balance of Other Governmental Funds showed an increase in the amount of $432,883, which includes an increase in reserve for inventory of $71,189. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund		Increase (Decrease)
Fema/Mema	$	144
Construction & Improvement	$	(995)
Three Mill Construction	$	4,210,771

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District.

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(s) is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2013, the District's total capital assets were $123,934,547, including land, school buildings, building improvements, buses, other school vehicles and furniture and equipment. This amount represents an increase of $5,024,709 from 2012. Total accumulated depreciation as of June 30, 2013, was $32,568,733, and total depreciation expense for the year was $2,877,583, resulting in total net capital assets of $91,365,814.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2013	June 30, 2012	Percentage Change
Land	$ 343,261	$ 343,261	0.00 %
Construction in Progress	5,432,403	503,563	978.79 %
Buildings	76,365,872	78,264,782	(2.43) %
Building improvements	4,790,557	5,076,692	(5.64) %
Improvements other than buildings	1,827,268	1,943,225	(5.97) %
Mobile equipment	2,126,014	2,501,703	(15.02) %
Furniture and equipment	400,629	434,764	(7.85) %
Leased property under capital leases	79,810	79,810	0.00 %
Total	**$ 91,365,814**	**$ 89,147,800**	**2.49 %**

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

Debt Administration. At June 30, 2013, the District had $17,543,730 in outstanding long-term debt, of which $2,294,769 is due within one year. The liability for compensated absences decreased $12,262 from the prior year. The district issued three mill notes in the amount of $8,800,000.

Table 5
Outstanding Long-Term Debt

	June 30, 2013	June 30, 2012	Percentage Change
General obligation refunding bonds payable	3,490,000	4,535,000	(23.04) %
Three mill notes payable	9,320,706	1,024,632	809.66 %
Obligations under energy efficiency leases	1,588,518	1,742,710	(8.85) %
Qualified school construction bonds payable	2,598,789	3,000,000	(13.37) %
Compensated absences payable	545,717	557,979	(2.20) %
Total	**$ 17,543,730**	**$ 10,860,321**	**61.54 %**

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

CURRENT ISSUES

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Jackson County School District, P.O. Box 5069, Vancleave, Mississippi 39565-5069.

BASIC FINANCIAL STATEMENTS

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JACKSON COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2013

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents (Note 2)	$ 7,403,703
Due from other governments	3,540,232
Other receivables, net	7,113
Inventories and prepaid items	1,492,759
Restricted assets (Note 4)	9,862,320
Non-depreciable capital assets (Note 5)	5,775,664
Depreciable capital assets, net (Note 5)	85,590,150
Total Assets	113,671,941
Total Deferred Outflows of Resources	0
Liabilities	
Accounts payable and accrued liabilities	1,438,509
Unearned revenue	20,372
Interest payable on long-term liabilities	312,375
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	2,090,706
Non-capital related liabilities	204,063
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	13,318,789
Non-capital related liabilities	1,930,172
Total Liabilities	19,314,986
Deferred Inflows of Resources	
Deferred credit on bonds payable	240,727
Total Deferred Inflows of Resources	240,727
Net Position	
Net investment in capital assets	79,926,363
Restricted net position	
Expendable	
School-based activities	1,063,308
Debt service	880,665
Capital Projects	1,694,971
Forestry improvements	178,786
Unemployment benefits	87,768
Non-expendable	
Sixteenth section	658,376
Unrestricted	9,625,991
Total Net Position	$ 94,116,228

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

JACKSON COUNTY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2013

Exhibit B

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities				
Instruction	$ 41,602,446	776,815	2,852,730	(37,972,901)
Support services	25,371,297		2,168,734	(23,202,563)
Non-instructional	3,920,366	1,102,144	2,837,543	19,321
Sixteenth section	54,899			(54,899)
Interest on long-term liabilities	432,971			(432,971)
Total Governmental Activities	71,381,979	1,878,959	7,859,007	(61,644,013)
General Revenues				
Taxes				
General purpose levies				21,765,375
Debt purpose levies				2,335,658
Unrestricted grants and contributions				
State				36,990,152
Federal				271,295
Unrestricted investment earnings				29,334
Sixteenth section sources				414,761
Other				179,172
Total General Revenues				61,985,747
Changes in Net Position				341,734
Net Position - Beginning				93,774,494
Net Position - Ending				$ 94,116,228

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

JACKSON COUNTY SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2013

Exhibit C

	Major Funds					
	General Fund	FEMA/MEMA Grants Fund	Construction and Improvements Fund	Three Mill Construction Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents (Note 2)	$ 2,633,112		4,770,535	4,951,514	4,760,847	17,116,008
Cash with fiscal agent (Note 2)					150,015	150,015
Due from other governments	682,085	2,334,467			523,680	3,540,232
Other receivables, net	7,113					7,113
Due from other funds (Note 3)	2,683,890					2,683,890
Inventories and prepaid items	1,314,593				178,166	1,492,759
Total Assets	7,320,793	2,334,467	4,770,535	4,951,514	5,612,708	24,990,017
Liabilities and Fund Balances						
Liabilities						
Accounts payable & accrued liabilities	331,102			740,743	366,664	1,438,509
Due to other funds (Note 3)		2,334,323			349,567	2,683,890
Unavailable revenue					20,372	20,372
Total Liabilities	331,102	2,334,323	0	740,743	736,603	4,142,771
Fund Balances						
Nonspendable						
Inventory					178,166	178,166
Permanent fund principal					658,376	658,376
Prepaid items	1,314,593					1,314,593
Restricted						
Debt service					1,193,040	1,193,040
Capital projects				4,210,771	1,694,971	5,905,742
Forestry improvements					178,786	178,786
Unemployment benefits					87,768	87,768
Grant activities					882,574	882,574
Assigned						
School activities	568,471					568,471
Construction and improvements			4,770,535			4,770,535
Other purposes		144			2,424	2,568
Unassigned	5,106,627					5,106,627
Total Fund Balances	6,989,691	144	4,770,535	4,210,771	4,876,105	20,847,246
Total Liabilities and Fund Balances	$ 7,320,793	2,334,467	4,770,535	4,951,514	5,612,708	24,990,017

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

JACKSON COUNTY SCHOOL DISTRICT

Exhibit C-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2013

		Amount
Total Fund Balance - Governmental Funds		$ 20,847,246
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	343,261	
Construction in progress	5,432,403	
Buildings	97,551,722	
Building improvements	6,141,653	
Improvement other than buildings	3,477,740	
Mobile equipment	7,290,609	
Furniture and equipment	2,899,058	
Leased property under capital leased	798,101	
Accumulated depreciation	(32,568,733)	91,365,814
Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	(3,490,000)	
Three mill notes	(9,320,706)	
Qualified school construction bonds	(2,598,789)	
Energy efficiency lease obligations	(1,588,518)	
Compensated absences	(545,717)	
Deferred credit on bonds payable	(240,727)	
Accrued interest payable	(312,375)	(18,096,832)
Total Net Position - Governmental Activities		$ 94,116,228

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

JACKSON COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2013

Exhibit D

	Major Funds					
	General Fund	FEMA/MEMA Grants Fund	Construction and Improvements Fund	Three Mill Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Local sources	$ 22,676,757	144		7,282	3,443,908	26,128,091
State sources	36,941,472				1,415,083	38,356,555
Federal sources	307,123				6,456,777	6,763,900
Sixteenth section sources	392,581				23,463	416,044
Total Revenues	60,317,933	144	0	7,282	11,339,231	71,664,590
Expenditures						
Instruction	36,038,310				3,573,454	39,611,764
Support services	22,422,898		995	21,728	2,309,566	24,755,187
Noninstructional services	241,899				3,657,884	3,899,783
Sixteenth section	5,250				49,649	54,899
Facilities acquisition and construction				4,574,783	354,057	4,928,840
Debt service						
Principal (Note 6)					1,703,118	1,703,118
Interest					258,434	258,434
Other					3,600	3,600
Total Expenditures	58,708,357	0	995	4,596,511	11,909,762	75,215,625
Excess (Deficiency) of Revenues Over Expenditures	1,609,576	144	(995)	(4,589,229)	(570,531)	(3,551,035)
Other Financing Sources (Uses)						
Proceeds of loans (Note 6)				8,800,000		8,800,000
Insurances loss recoveries	6,304					6,304
Operating transfers in (Note 3)	172,091				976,484	1,148,575
Other financing sources	12,698					12,698
Operating transfers out (Note 3)	(938,885)				(209,690)	(1,148,575)
Total Other Financing Sources (Uses)	(747,792)	0	0	8,800,000	766,794	8,819,002
Net Change in Fund Balances	861,784	144	(995)	4,210,771	196,263	5,267,967
Fund Balances						
July 1, 2012	6,127,907	0	4,771,530	0	4,608,653	15,508,090
Increase In reserve for inventory					71,189	71,189
June 30, 2013	$ 6,989,691	144	4,770,535	4,210,771	4,876,105	20,847,246

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

JACKSON COUNTY SCHOOL DISTRICT

Exhibit D-1

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities

For the Year Ended June 30, 2013

		Amount
Net Change in Fund Balance - Governmental Funds		$ 5,267,967
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, those amounts are:		
Capital outlay	5,096,313	
Depreciation expense	(2,877,583)	2,218,730
In the Statement of Activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.		(716)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance cost, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
Bonds and notes issued	(8,800,000)	
Payments of debt principal	1,703,118	
Accrued interest payable	(291,300)	
Deferred credit of bonds payable	160,484	(7,227,698)
Some items reported in the Statement of Activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. These activities include:		
Change in compensated absences	12,262	
Change in inventory reserve	71,189	83,451
Changes in Net Position of Governmental Activities		$ 341,734

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

JACKSON COUNTY SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2013

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents (Note 2)	$ 5,635,520
Total Assets	5,635,520
Liabilities	
Accounts payable and accrued liabilities	5,337,401
Due to student clubs	298,119
Total Liabilities	$ 5,635,520

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

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

B. Government-wide and Fund Financial Statements

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

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

1. Net investment in capital assets 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 position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has 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.

FEMA/MEMA Fund - This special revenue fund is used to account for the FEMA expenditures and reimbursements associated with the disaster caused by hurricane Katrina.

Construction and Improvements Fund - This capital projects funds is used to account for the capital expenditures. It is funded with local resources.

Three Mill Construction Fund - This capital projects fund is used to account for the capital expenditures associated with the bond proceeds from the issuance of the $8,800,000 in three mill notes.

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 District's fiduciary funds include the following:

Payroll Clearing Fund - This fund is used as a clearing account for payroll and payroll related transactions.

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

Student Club Accounts - These funds are used to account for the transaction of student clubs.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and

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

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

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position 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 2012 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.

D. 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.

E. Assets, liabilities, deferred outflows/inflows, and net position/fund balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund 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 Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. There are no deferred outflows presented.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The district presented a deferred credit on bonds payable. See Note 13 for further details.

8. Compensated Absences

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

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

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

In the government-wide financial statements, outstanding debt is reported as liabilities. The governmental fund financial statements recognize the proceeds of debt as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for details.

10. 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. This formal action is documented in the board minutes of the school board. Currently there is no committed fund balance for this school district.

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

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

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

It is the policy of the School District to maintain a minimum fund balance in the General Fund that is not less than 7% of the revenues of the General Fund.

Note 2 – Cash and Cash Equivalents and Cash with Fiscal Agents

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

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

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 $17,116,008 and $ 5,635,520, respectively. The carrying amount of deposits reported in the government-wide financial statements was $7,403,703.

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.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was $150,015.

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund		Amount
General Fund	Major fund - FEMA/MEMA Fund	$	2,334,323
	Other governmental funds		349,567
Total		$	2,683,890

The purpose of the more significant inter-fund loans was to eliminate deficit cash balances in certain federal programs as part of normal year end closing adjustments.

B. Inter-fund Transfers

Transfers Out	Transfers In		Amount
General Fund	Other governmental funds	$	938,885
Other governmental funds	General Fund		172,091
	Other governmental funds		37,599
Total		$	1,148,575

The transfer out of the General Fund was for the purpose of funding the vocational program and energy efficiency lease obligation debt retirement. The transfer from Other Governmental Funds to the General Fund was to transfer interest earned from 16th Section Interest funds and to transfer the beginning fund balance of the 16th Section Fund which was reclassified from Other Governmental Funds to the General Fund. The transfer from other governmental funds to the other governmental funds was transfers for indirect cost and interest earned on16th Section Principal Funds transferred to 16th Section Interest funds.

Note 4 – Restricted Assets

The restricted assets represent cash totaling $9,712,305 and cash with fiscal agent totaling $150,015 of various funds which are legally restricted and may not be used for purposes that support the district's programs; i.e., 16th Section Principal Fund, Debt Service Fund and certain Federal Programs.

Note 5 – Capital Assets

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

	Balance 7/1/2012	Increases	Decreases	Balance 6/30/2013
Governmental Activities:				
Non-depreciable capital assets:				
Land	$ 343,261			343,261
Construction-in-progress	503,563	4,928,840		5,432,403
Total non-depreciable capital assets	846,824	4,928,840	0	5,775,664
Depreciable capital assets:				
Buildings	97,551,722			97,551,722
Building improvements	6,141,653			6,141,653
Improvements other than buildings	3,477,740			3,477,740
Mobile equipment	7,273,260	17,349		7,290,609
Furniture and equipment	2,820,538	150,124	(71,604)	2,899,058
Leased property under capital leases	798,101			798,101
Total depreciable capital assets	118,063,014	167,473	(71,604)	118,158,883
Less accumulated depreciation for:				
Buildings	19,286,940	1,898,910		21,185,850
Building improvements	1,064,961	286,135		1,351,096
Improvements other than buildings	1,534,515	115,957		1,650,472
Mobile equipment	4,771,557	393,038		5,164,595
Furniture and equipment	2,385,774	183,543	(70,888)	2,498,429
Leased property under capital leases	718,291			718,291
Total accumulated depreciation	29,762,038	2,877,583	(70,888)	32,568,733
Total depreciable capital assets, net	88,300,976	(2,710,110)	(716)	85,590,150
Governmental activities capital assets, net	$ 89,147,800	2,218,730	(716)	91,365,814

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	$ 1,990,682
Support services	795,129
Non-instructional	91,772
Total depreciation expense - Governmental activities	$ 2,877,583

Construction in progress is composed of:

	Spent to June 30, 2013	Remaining Commitment
Governmental Activities:		
East Central Middle School Addition	$ 4,581,334	2,934,625
Vancleave Upper Elementary Classrooms	210,209	3,294,799
Vancleave Upper Elementary Cafeteria	165,065	0
St. Martin Middle School Addition	475,795	1,028,570
Total governmental activities	5,432,403	7,257,994

Construction has not begun on the Vancleave Upper Elementary Cafeteria. Only architectural and other planning costs have been incurred. Construction projects included in governmental activities are funded with bonds proceeds and local funds.

Note 6 – Long-term Liabilities

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

	Balance 7/1/2012	Additions	Reductions	Adjustments	Balance 6/30/2013	Amounts due within one year
A. General obligation refunding bonds payable	$ 4,535,000		1,045,000		3,490,000	1,095,000
B. Three mill notes payable	1,024,632	8,800,000	503,926		9,320,706	995,706
C. Qualified school construction bonds payable	3,000,000			(401,211)	2,598,789	0
D. Obligations under energy efficiency leases	1,742,710		154,192		1,588,518	160,406
E. Compensated absences payable	557,979		12,262		545,717	43,657
Total	$ 10,860,321	8,800,000	1,715,380	(401,211)	17,543,730	2,294,769

A. General obligation refunding 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
1. General obligation refunding bonds, series	3.0-4.0	8/15/2004	12/15/2015	$ 5,400,000	3,245,000
2. refunding bonds, series 2005	2.6-3.2	3/15/2005	12/15/2013	4,700,000	245,000
Total				$ 10,100,000	3,490,000

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

1. General obligation refunding bonds, series 2004:

Year Ending June 30	Principal	Interest	Total
2014	$ 850,000	112,800	962,800
2015	1,175,000	72,300	1,247,300
2016	1,220,000	24,400	1,244,400
Total	$ 3,245,000	209,500	3,454,500

This debt will be retired from the General Obligation Refunding Fund (Debt Service Fund).

2. General obligation refunding bonds, series 2005:

Year Ending June 30	Principal	Interest	Total
2014	$ 245,000	3,920	248,920

This debt will be retired from the General Obligation Refunding Fund (Debt Service Fund).

Total general obligation bond payments for all issues:

Year Ending June 30		Principal	Interest	Total
2014	$	1,095,000	116,720	1,211,720
2015		1,175,000	72,300	1,247,300
2016		1,220,000	24,400	1,244,400
Total	$	3,490,000	213,420	3,703,420

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, 2013, the amount of outstanding bonded indebtedness was equal to 0.7% of property assessments as of October 1, 2012.

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Three mill ten year note, series 2004	3.375	4/29/2004	4/29/2014	$ 4,500,000	520,706
2. Three mill ten year note, series 2012	2.21	10/25/2012	10/1/2023	8,800,000	8,800,000
Total				$ 13,300,000	9,320,706

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

1. Three mill notes payable, series 2004:

Year Ending June 30		Principal	Interest	Total
2014	$	520,706	17,834	538,540

This debt will be retired from the Bond Debt Service Fund (Debt Service Fund).

2. Three mill notes payable, series 2012:

Year Ending June 30		Principal	Interest	Total
2014	$	475,000	181,515	656,515
2015		500,000	183,982	683,982
2016		725,000	172,933	897,933
2017		750,000	156,910	906,910
2018		775,000	140,335	915,335
2019 – 2023		4,410,000	438,353	4,848,353
2024		1,165,000	25,747	1,190,747
Total	$	8,800,000	1,299,775	10,099,775

This debt will be retired from the Bond Debt Service Fund (Debt Service Fund).

Total three mill notes payable payments for all issues:

Year Ending June 30		Principal	Interest	Total
2014	$	995,706	199,349	1,195,055
2015		500,000	183,982	683,982
2016		725,000	172,933	897,933
2017		750,000	156,910	906,910
2018		775,000	140,335	915,335
2019 – 2023		4,410,000	438,353	4,848,353
2024		1,165,000	25,747	1,190,747
Total	$	9,320,706	1,317,609	10,638,315

C. Qualified school construction bonds payable

As more fully explained in Note 12, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date		Amount Issued	Amount Outstanding
Qualified school construction bonds, series 2011	0	12/20/2010	12/15/2020	$	2,598,789	2,598,789

D. Obligations under energy efficiency leases

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date		Amount Issued	Amount Outstanding
Energy efficiency lease	3.99	11/15/2006	11/15/2021	$	2,490,000	1,588,518

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

Year Ending June 30		Principal	Interest	Total
2014	$	160,406	61,798	222,204
2015		166,870	55,334	222,204
2016		173,595	48,609	222,204
2017		180,590	41,614	222,204
2018		187,868	34,336	222,204
2019 – 2022		719,189	58,524	777,713
Total	$	1,588,518	300,215	1,888,733

This debt will be retired from the Obligation Under Energy Efficiency Debt Service Fund (financed with local funds).

An energy efficiency lease agreement dated May 12, 2007, was executed by and between the district, the lessee, and Hancock Bank, the lessor.

The agreement authorized the borrowing of $2,490,000 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the district maintenance fund and not exceed fifteen (15) years.

The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

E. Compensated absences payable

As more fully explained in Note 1(E)(8), 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

Commitments under construction contracts are described in Note 5.

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, 2013 was 14.26% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2013, 2012 and 2011 were $5,798,463, $5,277,385 and $4,998,465, respectively, which equaled the required contributions for each year.

Note 9 – Sixteenth Section Lands

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

Year Ending June 30		Amount
2014	$	361,352
2015		361,352
2016		353,792
2017		347,056
2018		343,928
2019 – 2023		1,649,806
2024 – 2028		1,630,415
2029 – 2033		1,532,225
Thereafter		2,190,468
Total	$	8,770,394

Note 10 – Contingencies

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

Note 11 – Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 90 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to $750,000. For a claim exceeding $750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies.

Note 12 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax

credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2013 was $150,015. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30		Amount
2014	$	75,000
2015		75,000
2016		75,000
2017		395,000
2018		396,000
2019 – 2021		1,984,000
Total	$	3,000,000

Note 13 – Effect of Deferred Amounts on Net Position

The restricted debt service fund balance amount of $880,665 includes the effect of deferring the recognition of revenue from the deferred credit on bonds payable that resulted from the issuance of an interest free debt obligation (Qualified School Construction Bonds). The $240,727 balance of the deferred inflow of resources at June 30, 2013 will be recognized as revenue and increase unrestricted net position over the remaining life of the outstanding debt obligation.

Note 14 - Subsequent Events

Events that occur after the Statement of Net Position 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 Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the School District evaluated the activity of the district through June 30, 2014, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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JACKSON COUNTY SCHOOL DISTRICT
Budgetary Comparison Schedule for the General Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues					
Local sources	$ 22,592,686	22,676,757	22,676,757	84,071	0
State sources	37,558,067	36,941,472	36,941,472	(616,595)	0
Federal sources	454,627	307,123	307,123	(147,504)	0
Sixteenth section sources	0	0	392,581	0	392,581
Total Revenues	60,605,380	59,925,352	60,317,933	(680,028)	392,581
Expenditures					
Instruction	36,401,041	36,038,310	36,038,310	362,731	0
Support services	23,831,701	22,497,898	22,422,898	1,333,803	75,000
Noninstructional services	187,674	241,899	241,899	(54,225)	0
Sixteenth section	0	0	5,250	0	(5,250)
Total Expenditures	60,420,416	58,778,107	58,708,357	1,642,309	69,750
Excess (Deficiency) of Revenues Over Expenditures	184,964	1,147,245	1,609,576	962,281	462,331
Other Financing Sources (Uses)					
Insurance loss recoveries	0	6,304	6,304	6,304	0
Operating transfers in	6,178,197	6,361,675	172,091	183,478	(6,189,584)
Other financing sources	0	12,698	12,698	12,698	0
Operating transfers out	(7,368,778)	(6,769,978)	(938,885)	598,800	5,831,093
Total Other Financing Sources (Uses)	(1,190,581)	(389,301)	(747,792)	801,280	(358,491)
Net Change in Fund Balances			861,784		
Fund Balances					
July 1, 2012			6,127,907		
June 30, 2013			$ 6,989,691		

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

JACKSON COUNTY SCHOOL DISTRICT
Budgetary Comparison Schedule for the Major Special Revenue Fund - FEMA/MEMA Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues					
Local sources	$ 0	144	144	144	0
Total Revenues	0	144	144	144	0
Total Expenditures	0	0	0	0	0
Excess (Deficiency) of Revenues Over Expenditures	0	144	144	144	0
Total Other Financing Sources (Uses)	0	0	0	0	0
Net Change in Fund Balances			144		
Fund Balances					
July 1, 2012			0		
June 30, 2013			$ 144		

The notes to the required supplementary information are an integral part of this 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 following the end of the fiscal year. A budgetary comparison is presented for the general fund and each major special revenue fund on the same basis of accounting as the budget which is consistent with accounting principles generally accepted in the United States of America.

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SUPPLEMENTARY INFORMATION

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JACKSON COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
U.S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	$ 852,118
National school lunch program	10.555	3,194,097
Total child nutrition cluster		4,046,215
Total U.S. Department of Agriculture		4,046,215
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service fund	32.XXX	111,843
Total Federal Communications Commission		111,843
U.S. Department of Education		
Passed-through Mississippi Department of Rehabilitation Services:		
Rehabilitation services - vocational rehabilitation grants to states	84.126	87,211
Total		87,211
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	1,153,202
Career and technical education - basic grants to states	84.048	76,571
Education for homeless children and youth	84.196	22,402
English language acquisition grant	84.365	31,725
Improving teacher quality - state grants	84.367	214,172
Total		1,498,072
Special education - grants to states	84.027	1,757,489
Special education - preschool grants	84.173	67,375
Total special education cluster		1,824,864
Total passed-through Mississippi Department of Education		3,322,936
Total U.S. Department of Education		3,410,147
U.S. Department of Health and Human Services		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	34,113
Total U.S. Department of Health and Human Services		34,113
Direct program:		
Reserve Officers' Training Corps	12.XXX	60,784
Total Other Federal Assistance		60,784
Total for All Federal Awards		$ 7,663,102

JACKSON COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

NOTES TO SCHEDULE

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

JACKSON COUNTY SCHOOL DISTRICT
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2013

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administrative	School Administration	Other
Salaries and fringe benefits	$ 55,144,384	43,267,407	1,859,542	4,001,583	6,015,852
Other	20,071,241	3,267,316	325,757	76,649	16,401,519
Total	75,215,625	46,534,723	2,185,299	4,078,232	22,417,371
Total number of students	8,682				
Cost per student	$ 8,664	5,360	252	470	2,582

Notes to the schedule.

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

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

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

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

Total number of students - the ADA report submission for month 9, which is the final submission for the school year.

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OTHER INFORMATION

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JACKSON COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years

UNAUDITED

	2013	2012*	2011*	2010*
Revenues				
Local sources	$ 22,676,757	20,131,008	20,702,950	20,130,781
State sources	36,941,472	36,862,857	35,201,642	35,054,933
Federal sources	307,123	358,846	290,002	495,130
Sixteenth section sources	392,581	0	0	0
Total Revenues	60,317,933	57,352,711	56,194,594	55,680,844
Expenditures				
Instruction	36,038,310	36,314,591	30,993,530	32,614,716
Support services	22,422,898	23,252,900	24,565,801	23,916,656
Noninstructional services	241,899	361,615	451,362	404,944
Sixteenth section	5,250	0	0	0
Facilities acquisition and construction	0	25,861	21,133	0
Total Expenditures	58,708,357	59,954,967	56,031,826	56,936,316
Excess (Deficiency) of Revenues Over Expenditures	1,609,576	(2,602,256)	162,768	(1,255,472)
Other Financing Sources (Uses)				
Insurances loss recoveries	6,304	17,734	500	9,000
Sale of other property	0	0	0	52,965
Operating transfers in	172,091	2,090,879	369,003	260,394
Other financing sources	12,698	0	0	0
Operating transfers out	(938,885)	(1,214,499)	(1,548,077)	(12,710,862)
Total Other Financing Sources (Uses)	(747,792)	894,114	(1,178,574)	(12,388,503)
Net Change in Fund Balances	861,784	(1,708,142)	(1,015,806)	(13,643,975)
Fund Balances				
July 1	6,127,907	7,836,049	8,851,855	22,495,830
June 30	$ 6,989,691	6,127,907	7,836,049	8,851,855

* Source - Prior year audit reports.

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

UNAUDITED

	2013	2012*	2011*	2010*
Revenues				
Local sources	$ 26,128,091	22,951,354	24,720,846	23,093,269
State sources	38,356,555	38,406,142	37,040,298	36,101,314
Federal sources	6,763,900	7,176,493	15,756,911	36,365,820
Sixteenth section sources	416,044	864,135	339,029	353,687
Total Revenues	71,664,590	69,398,124	77,857,084	95,914,090
Expenditures				
Instruction	39,611,764	40,474,763	40,591,702	40,859,863
Support services	24,755,187	25,915,621	27,931,012	26,839,790
Noninstructional services	3,899,783	4,083,474	4,178,975	3,966,169
Sixteenth section	54,899	31,046	24,456	19,540
Facilities acquisition and construction	4,928,840	1,291,513	3,591,747	28,662,727
Debt service				
Principal	1,703,118	1,625,335	1,558,613	1,549,004
Interest	258,434	314,171	365,319	414,700
Other	3,600	3,600	3,600	3,600
Total Expenditures	75,215,625	73,739,523	78,245,424	102,315,393
Excess (Deficiency) of Revenues Over Expenditures	(3,551,035)	(4,341,399)	(388,340)	(6,401,303)
Other Financing Sources (Uses)				
Proceeds of general obligation bonds	0	0	3,000,000	0
Proceeds of loans	8,800,000	0	0	0
Insurances loss recoveries	6,304	17,734	500	9,000
Sale of other property	0	0	0	52,965
Operating transfers in	1,148,575	3,306,842	1,921,035	13,044,474
Other financing sources	12,698	75,000	0	4,576
Operating transfers out	(1,148,575)	(3,306,842)	(1,921,035)	(13,044,474)
Other financing uses	0	(75,000)	0	0
Total Other Financing Sources (Uses)	8,819,002	17,734	3,000,500	66,541
Net Change in Fund Balances	5,267,967	(4,323,665)	2,612,160	(6,334,762)
Fund Balances				
July 1, as previously reported	15,508,090	20,954,748	18,338,649	24,649,405
Prior period adjustments	0	(1,111,477)	0	0
July 1, as restated	15,508,090	19,843,271	18,338,649	24,649,405
Increase (Decrease) in reserve for inventory	71,189	(11,516)	3,939	24,006
June 30	$ 20,847,246	15,508,090	20,954,748	18,338,649

* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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CHARLES L. SHIVERS

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

Independent Auditor's Report

Superintendent and School Board
Jackson County School District

I have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson County School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Jackson County School District's basic financial statements, and have issued my report thereon dated June 30, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Jackson County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jackson County School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Jackson County School District's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, I identified certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

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 a 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. I consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses. [2013-01 and 2013-02].

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies. [2013-03 and 2013-04].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jackson County School District's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Jackson County School District's Response to Findings

Jackson County School District's response to the findings identified in my audit are is described in the accompanying Auditee's Corrective Action Plan. Jackson County School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Charles L. Shivers, CPA

Ridgeland, MS
June 30, 2014

CHARLES L. SHIVERS
Certified Public Accountant

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Ridgeland, Mississippi 39158

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY OMB CIRCULAR A-133

Independent Auditor's Report

Superintendent and School Board
Jackson County School District

Report on Compliance for Each Major Federal Program

I have audited Jackson 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 Jackson County School District's major federal programs for the year ended June 30, 2013. Jackson County School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Jackson County School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 I 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 Jackson County School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Jackson County School District's compliance.

Opinion on Each Major Federal Program

In my opinion, Jackson County School District complied, in all material respects, with the types of 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, 2013.

Report on Internal Control Over Compliance

Management of Jackson County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Jackson County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and

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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, I do not express an opinion on the effectiveness of Jackson County School District's internal control over compliance.

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Charles L. Shivers, CPA

Ridgeland, MS
June 30, 2014

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

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CHARLES L. SHIVERS

Certified Public Accountant

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

Superintendent and School Board
Jackson County School District

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Jackson County School District as of and for the year ended June 30, 2013, which collectively comprise Jackson County School District's basic financial statements and have issued my report thereon dated June 30, 2014. I conducted my 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. My report differed from the standard report because of a scope limitation due to the timing of the audit engagement. I was unable to observe the counting of the physical inventories included in the Aggregate Remaining Fund Information.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, I 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 my audit and, accordingly, I do not express such an opinion.

The results of my procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported $-0- of classroom supply funds carried over from previous years.

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

The results of my 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, I 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 my audit and, accordingly, I do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and my audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. My finding and recommendation and Jackson County School District's response is as follows:

CONDITION: The surety bond coverage for all the school principals was for $25,000. Effective July 1, 2009, the required surety bond coverage for school principals was set at $50,000. Also, it was noted that none of the required surety bonds were filed with the Chancery Clerk's office as required by state law.
CRITERIA: Section 37-9-31, Mississippi Code of 1972 (effective July 1, 2009) sets the principals surety bond at $50.000.
CAUSE OF CONDITION: The cause of the condition is an oversight by management.
EFFECT OF CONDITION: The effect of the condition could result in a financial loss to the district in the event collection was necessary on a surety bond.

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RECOMMENDATION: It is recommended that the principals be bonded at the correct amount of $50,000 and that all required surety bonds be recorded in the office of the Chancery Clerk.
DISTRICT'S RESPONSE: The school principal's surety bond coverage has been increased to the required amount of $50,000 and filed with the Chancery Clerk's office.

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

The Jackson County School District's response to the finding included in this report was not audited and, accordingly, I 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, the Office of the State Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Charles L. Shivers, CPA

Ridgeland, MS
June 30, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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JACKSON COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
June 30, 2013

Section I: Summary of Auditor's Results

Financial Statements:

1. 1. Type of auditor's report issued on the basic financial statements:

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
General Fund	Unmodified
Major Fund – FEMA/MEMA Fund	Unmodified
Major Fund – Construction and Improvements Fund	Unmodified
Major Fund – Three Mill Construction Fund	Unmodified
Aggregate Remaining Fund Information	Qualified

2. Noncompliance material to the basic financial statements noted? No

3. Internal control over financial reporting:
   a. Material weaknesses identified? Yes
   b. Significant deficiency identified that are not considered to be material weaknesses? Yes

Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs: Unmodified

5. Internal control over major programs:
   a. Material weaknesses identified? No
   b. Significant deficiency identified that are not considered to be material weaknesses? None Reported

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

7. Federal program identified as major program:

   a. Child nutrition cluster
      CFDA #: 10.553
      CFDA #: 10.555

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

9. Auditee qualified as a low-risk auditee? Yes

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

Section II: Financial Statement Findings

Deficiencies identified that are considered to be material weaknesses.

Finding 2013-01

CONDITION: Both the business manager and the assistant business manager are in a position to initiate, prepare, approve and enter general journal entries to correct, post, or otherwise cause the proper statement of the account balances and/or classes of transactions. The business manager and the assistant business manager also reconcile the district's bank accounts.

CRITERIA: An appropriately and properly designed system of accounting controls would have these duties segregated to the greatest extent possible.
CAUSE OF CONDITION: The cause of this condition is an inadequately designed system of accounting controls.
EFFECT OF CONDITION: This condition could lead to errors being made and those errors not being prevented or detected.
RECOMMENDATION: It is recommended that the duties of the business manager and the assistant business manager relating to general journal entries and bank account reconciliations be segregated to the greatest extent possible.

Finding 2013-02

CONDITION: There was no independent observation of the year-end Child Nutrition Program inventory account balance. This account balance was material to the financial statements.
CRITERIA: The auditing standards require that an independent observation and testing of a material inventory account balance be performed.
CAUSE OF CONDITION: The cause of this condition is an absence of controls regarding independent observation and testing of the inventory account balance when that account is material to financial statements.
EFFECT OF CONDITION: The effect of this condition results in a modified opinion on the financial statements.
RECOMMENDATION: It is recommended that the Child Nutrition Program inventory account balance be closely monitored at or near year-end to determine whether the account balance appears to be material to the financial statements. When the account balance appears to be material, then management should employ the services of an independent party to observe and test the year-end procedures performed by the district's staff.

Significant deficiencies identified that are not considered to be material weaknesses.

Finding 2013-03

CONDITION: The design of the financial accounting software is such that the payroll clerk, assistant business manager and the personnel office have total rights and access to the payroll module.
CRITERIA: A well design system of accounting controls would segregate portions of the payroll module of the accounting software between the payroll clerk and the personnel office.
CAUSE OF CONDITION: The cause of the condition is a failure to properly segregate the duties and responsibilities of the payroll clerk, assistant business manager and the personnel office within the financial accounting software.
EFFECT OF CONDITION: The effect of this condition could result in errors occurring within the payroll system and those errors not being prevented or detected.
RECOMMENDATION: It is recommended that the duties and responsibilities of the payroll clerk and the personnel office be segregated within the financial accounting software.

Finding 2013-04

CONDITION: The financial accounting software affixes the electronic signature to the checks prepared and run by the accounts payable clerk. In substance, this individual is preparing, processing and signing checks.
CRITERIA: A well designed system of accounting controls would have someone other than this individual affixing the electronic signature to their respective prepared checks.
CAUSE OF CONDITION: The cause is the result of an inadequately designed system of accounting controls.
EFFECT OF CONDITION: This condition could result in the payment of unauthorized claims.
RECOMMENDATION: It is recommended that the financial accounting software be modified such that someone other than this individual has rights and access to affixing the electronic signature to the checks.

Section III: Federal Award Findings and Questioned Costs

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

AUDITEE'S CORRECTIVE ACTION PLAN

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Jackson County School District

EAST CENTRAL ST. MARTIN VANCLEAVE

BARRY AMACKER, Ed.D., SUPERINTENDENT

TELEPHONE
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826-1757
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VANCLEAVE, MISSISSIPPI 39565-5069

CORRECTIVE ACTION PLAN

June 30, 2014

Charles L. Shivers
Certified Public Accountant
P.O. Box 2775
Ridgeland, MS 39158

Mr. Shivers:

As required by Section 315(c) of OMB Circular A-133, the Jackson 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, 2013.

Finding 2013-01

Corrective Action Plan

Contact person responsible for corrective action:

Stuart White, Business Manager

Description of correction action to be taken:

The duties of the business manager and the assistant business manager relating to general journal entries and bank account reconciliations will be segregated to the greatest extent possible.

Anticipated completion date of corrective action: July 2014

Finding 2013-02

Corrective Action Plan

Contact person responsible for corrective action:

Lark Christian, Food Service Director

Description of correction action to be taken:

The Child Nutrition Program inventory account balance will be closely monitored at year-end to determine whether the account balances requires the services of the independent auditors to observe and test the year-end procedures performed by the district staff.

Anticipated completion date of corrective action: June 2014

Finding 2013-03

Corrective Action Plan

Contact person responsible for corrective action:

Stuart White, Business Manager

Description of correction action to be taken:

The duties and responsibilities of the payroll clerk and the personnel office will be segregated within the financial accounting software.

Anticipated completion date of corrective action: July 2014

Finding 2013-04

Corrective Action Plan

Contact person responsible for corrective action:

Stuart White, Business Manager

Description of correction action to be taken:

The financial accounting software will be modified so that an individual other than the payroll clerk will affix the electronic signature to the payroll checks.

Anticipated completion date of corrective action: July, 2014

Sincerely,

Barry Amacker

Barry Amacker, Ed.D.
Superintendent of Education
Jackson County Schools
"Raising the Standard"