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Audited Financial Statements
For the Year Ended June 30, 2013

Fortenberry & Ballard, PC
Certified Public Accountants

**Jefferson County School District
TABLE OF CONTENTS**

	PAGE #
FINANCIAL AUDIT REPORT	
INDEPENDENT AUDITOR’S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION	4
MANAGEMENT’S DISCUSSION AND ANALYSIS	8
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Exhibit A - Statement of Net Position	19
Exhibit B - Statement of Activities	20
Governmental Funds Financial Statements	
Exhibit C - Balance Sheet	21
Exhibit C-1 - Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	22
Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances	23
Exhibit D-1 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	24
Fiduciary Funds Financial Statements	
Exhibit E - Statement of Fiduciary Assets and Liabilities	25
Exhibit F - Statement of Changes in Fiduciary Net Position	26
Notes to the Financial Statements	28
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	47
Budgetary Comparison Schedule - Title I - A Basic Fund	48
Budgetary Comparison Schedule - Sixteenth Section Interest Fund	49
Notes to the Required Supplementary Information	51
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	53
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	54
OTHER INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years	56
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years	57
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	59
Independent Auditor’s Report on Compliance for Each Major Federal Program; Report On Internal Control Over Compliance Required by OMB Circular A-133	61
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	65
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	68

FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Jefferson County School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson County School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Jefferson 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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson 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 on pages 8-17 and 47-51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jefferson County School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), 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 are the responsibility of management and were derived

from and relate directly to the underlying accounting and other records used to prepare the basic 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2014, on our consideration of the Jefferson County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jefferson County School District's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
May 8, 2014

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

The following discussion and analysis of Jefferson County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 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 decreased \$80,743, including a prior period adjustment of \$3,950, which represents a 1% decrease from fiscal year 2012. Total net position for 2012 increased \$1,128,488, including a prior period adjustment of \$(1,062), which represents a 20% increase from fiscal year 2011.
- General revenues amounted to \$8,982,970 and \$9,787,090, or 72% and 71% 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 \$3,464,909, or 28% of total revenues for 2013, and \$3,921,855, or 29% of total revenues for 2012.
- The District had \$12,532,572 and \$12,579,395 in expenses for fiscal years 2013 and 2012; only \$3,464,909 for 2013 and \$3,921,855 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$8,982,970 for 2013 were not adequate to provide for these programs. General revenues of \$9,787,090 for 2012 were adequate to provide for these programs.
- Among major funds, the General Fund had \$8,221,947 in revenues and \$8,480,392 in expenditures for 2013, and \$8,873,342 in revenues and \$8,189,240 in expenditures in 2012. The General Fund's fund balance decreased by \$230,459, including a prior period adjustment of \$3,950, from 2012 to 2013, and increased by \$240,509, including a prior period adjustment of \$(1,062), from 2011 to 2012.
- Capital assets, net of accumulated depreciation, decreased by \$176,596 for 2013 and decreased by \$38,744 for 2012. The decrease for 2013 was due to the disposal of furniture and equipment coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$366,130 for 2013 and decreased by \$207,017 for 2012. The decrease for 2013 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$1,274 for 2013 and decreased by \$1,766 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,

JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

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 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-

JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

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

JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

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 exceeded liabilities by \$6,643,078 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.

JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Table 1
Condensed Statement of Net Position

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Current assets	\$ 4,990,686	\$ 5,153,988	(3.17) %
Restricted assets	220,949	361,144	(38.82) %
Capital assets, net	2,973,474	3,150,070	(5.61) %
Total assets	<u>8,185,109</u>	<u>8,665,202</u>	(5.54) %
Current liabilities	70,306	102,252	(31.24) %
Long-term debt outstanding	1,471,725	1,839,129	(19.98) %
Total liabilities	<u>1,542,031</u>	<u>1,941,381</u>	(20.57) %
Net position:			
Net investment in capital assets	2,369,267	2,421,446	(2.15) %
Restricted	3,952,899	3,993,991	(1.03) %
Unrestricted	320,912	308,384	4.06 %
Total net position	<u>\$ 6,643,078</u>	<u>\$ 6,723,821</u>	(1.20) %

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

- Decrease in net capital assets in the amount of \$176,596.
- The principal retirement of \$366,130 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$12,447,879 and \$13,708,945, respectively. The total cost of all programs and services was \$12,532,572 for 2013 and \$12,579,395 for 2012.

JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

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

	<u>Year Ended</u> <u>June 30, 2013</u>	<u>Year Ended</u> <u>June 30, 2012</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 293,268	\$ 288,519	1.65 %
Operating grants and contributions	3,171,641	3,633,336	(12.71) %
General revenues:			
Property taxes	2,139,404	2,141,719	(0.11) %
Grants and contributions not restricted	6,301,914	6,956,988	(9.42) %
Investment earnings	12,850	11,584	10.93 %
Sixteenth section sources	517,131	667,175	(22.49) %
Other	11,671	9,624	21.27 %
Total revenues	12,447,879	13,708,945	(9.20) %
Expenses:			
Instruction	6,785,504	6,786,047	(0.01) %
Support services	4,719,156	4,745,012	(0.54) %
Non-instructional	946,747	946,799	(0.01) %
Sixteenth section	30,545	43,111	(29.15) %
Interest on long-term liabilities	50,620	58,426	(13.36) %
Total expenses	12,532,572	12,579,395	(0.37) %
Increase (Decrease) in net position	(84,693)	1,129,550	(107.50) %
Net Position, July 1, as previously reported	6,723,821	5,595,333	20.17 %
Prior Period Adjustment	3,950	(1,062)	471.94 %
Net Position, July 1, as restated	6,727,771	5,594,271	20.26 %
Net Position, June 30	\$ 6,643,078	\$ 6,723,821	(1.20) %

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.

JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ 6,785,504	\$ 6,786,047	(0.01) %
Support services	4,719,156	4,745,012	(0.54) %
Non-instructional	946,747	946,799	(0.01) %
Sixteenth section	30,545	43,111	(29.15) %
Interest on long-term liabilities	50,620	58,426	(13.36) %
Total expenses	<u>\$ 12,532,572</u>	<u>\$ 12,579,395</u>	(0.37) %

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ (5,198,397)	\$ (4,845,268)	7.29 %
Support services	(3,868,680)	(3,828,006)	1.06 %
Non-instructional	20,882	23,473	(11.04) %
Sixteenth section	29,152	50,687	(42.49) %
Interest on long-term liabilities	(50,620)	(58,426)	(13.36) %
Total net (expense) revenue	<u>\$ (9,067,663)</u>	<u>\$ (8,657,540)</u>	4.74 %

- Net cost of governmental activities (\$9,067,663 for 2013 and \$8,657,540 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$2,139,404 for 2013 and \$2,141,719 for 2012) and state and federal revenues (\$6,301,914 for 2013 and \$6,956,988 for 2012). In addition, there was \$517,131 and \$667,175 in Sixteenth Section sources for 2013 and 2012, respectively.
- Investment earnings amounted to \$12,850 for 2013 and \$11,584 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 \$5,154,208, a decrease of \$276,175, which includes a prior period adjustment of \$3,950 and a decrease in inventory of \$5,501. \$1,155,040, or 22%, of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been

JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

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 \$3,999,168, or 78%, 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 decrease in fund balance in the General Fund for the fiscal year was \$230,459, which includes a prior period adjustment of \$3,950. The fund balance of Other Governmental Funds showed a decrease in the amount of \$98,232, which includes a decrease in inventory of \$5,501. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I-A Basic Fund	no increase or decrease
Sixteenth Section Interest Fund	\$ 52,516

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2013, the District's total capital assets were \$7,375,413, including land, school buildings, building improvements and other improvements, buses, other school vehicles, furniture and equipment, and leased property under capital leases. This amount represents a gross decrease of \$19,273 from 2012 due to the disposal of furniture and equipment. Total accumulated depreciation as of June 30, 2013, was \$4,401,939, and total depreciation expense for the year was \$176,403, resulting in total net capital assets of \$2,973,474.

JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Land	\$ 19,828	\$ 19,828	0.00 %
Buildings	1,730,569	1,764,580	(1.93) %
Building improvements	461,011	489,825	(5.88) %
Improvements other than buildings	76,322	80,315	(4.97) %
Mobile equipment	518,950	598,207	(13.25) %
Furniture and equipment	76,360	101,354	(24.66) %
Leased property under capital leases	90,434	95,961	(5.76) %
Total	<u>\$ 2,973,474</u>	<u>\$ 3,150,070</u>	(5.61) %

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 \$1,471,725 in outstanding long-term debt, of which \$376,149 is due within one year. During the fiscal year, the District made principal payments totaling \$366,130 on outstanding long-term debt. The liability for compensated absences decreased \$1,274 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 1,155,000	\$ 1,370,000	(15.69) %
Shortfall notes payable	199,009	333,222	(40.28) %
Obligations under capital leases	26,707	43,624	(38.78) %
Compensated absences payable	91,009	92,283	(1.38) %
Total	<u>\$ 1,471,725</u>	<u>\$ 1,839,129</u>	(19.98) %

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

CURRENT ISSUES

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

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

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

JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

JEFFERSON COUNTY SCHOOL DISTRICT

**Statement of Net Position
June 30, 2013**

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 4,352,736
Due from other governments	593,088
Other receivables, net	19,222
Inventories	25,640
Restricted assets	220,949
Capital assets, non-depreciable:	
Land	19,828
Capital assets, net of accumulated depreciation:	
Buildings	1,730,569
Building improvements	461,011
Improvements other than buildings	76,322
Mobile equipment	518,950
Furniture and equipment	76,360
Leased property under capital leases	90,434
Total Assets	8,185,109
Liabilities	
Accounts payable and accrued liabilities	56,748
Due to other governments	679
Interest payable on long-term liabilities	12,879
Long-term liabilities, due within one year:	
Capital related liabilities	125,122
Non-capital related liabilities	251,027
Long-term liabilities, due beyond one year:	
Capital related liabilities	479,085
Non-capital related liabilities	616,491
Total Liabilities	1,542,031
Net Position	
Net investment in capital assets	2,369,267
Restricted for:	
Expendable:	
School-based activities	2,970,217
Debt service	440,081
Capital improvements	63,490
Forestry improvements	227,196
Unemployment benefits	33,697
Non-expendable:	
Sixteenth section	218,218
Unrestricted	320,912
Total Net Position	\$ 6,643,078

JEFFERSON COUNTY SCHOOL DISTRICT

**Statement of Activities
For the Year Ended June 30, 2013**

Exhibit B

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Instruction	6,785,504	114,480	1,472,627	-		(5,198,397)
Support services	4,719,156	86,023	764,453	-		(3,868,680)
Non-instructional	946,747	33,068	934,561	-		20,882
Sixteenth section	30,545	59,697	-	-		29,152
Interest on long-term liabilities	50,620	-	-	-		(50,620)
Total Governmental Activities	\$ 12,532,572	\$ 293,268	\$ 3,171,641	\$ -		\$ (9,067,663)

General Revenues:

Taxes:	
General purpose levies	1,978,482
Debt purpose levies	160,922
Unrestricted grants and contributions:	
State	6,232,568
Federal	69,346
Unrestricted investment earnings	12,850
Sixteenth section sources	517,131
Other	11,671
Total General Revenues	8,982,970

Change in Net Position (84,693)

Net Position - Beginning, as previously reported 6,723,821
 Prior Period Adjustments 3,950

Net Position - Beginning, as restated 6,727,771

Net Position - Ending \$ 6,643,078

JEFFERSON COUNTY SCHOOL DISTRICT

Governmental Funds

**Balance Sheet
June 30, 2013**

Exhibit C

	Major Funds					Total Governmental Funds
	General Fund	Title I-A Basic Fund	Sixteenth Section Interest Fund	Other Governmental Funds		
Assets						
Cash and cash equivalents	\$ 734,972	\$ -	\$ 2,576,364	\$ 1,262,349	\$	4,573,685
Due from other governments	113,193	231,934	-	207,138		552,265
Other receivables, net	12,647	-	6,575	-		19,222
Due from other funds	342,545	-	-	27,900		370,445
Inventories	-	-	-	25,640		25,640
Total assets	<u>\$ 1,203,357</u>	<u>\$ 231,934</u>	<u>\$ 2,582,939</u>	<u>\$ 1,523,027</u>	<u>\$</u>	<u>5,541,257</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 14,248	\$ -	\$ 42,500	\$ -	\$	56,748
Due to other funds	679	231,934	27,900	69,788		330,301
Total Liabilities	<u>14,927</u>	<u>231,934</u>	<u>70,400</u>	<u>69,788</u>		<u>387,049</u>
Fund Balances:						
Nonspendable:						
Inventory	-	-	-	25,640		25,640
Permanent fund principal	-	-	-	218,218		218,218
Restricted:						
Debt service	-	-	-	452,960		452,960
Capital projects	-	-	-	63,490		63,490
Forestry improvement purposes	-	-	-	227,196		227,196
Grant activities	-	-	-	17,043		17,043
Unemployment benefits	-	-	-	33,697		33,697
Sixteenth section interest funds	-	-	2,512,539	-		2,512,539
Child nutrition	-	-	-	412,264		412,264
Other purposes	-	-	-	2,731		2,731
Assigned:						
Activity funds	25,851	-	-	-		25,851
Other purposes	7,539	-	-	-		7,539
Unassigned	<u>1,155,040</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>1,155,040</u>
Total Fund Balances	<u>1,188,430</u>	<u>-</u>	<u>2,512,539</u>	<u>1,453,239</u>	<u>\$</u>	<u>5,154,208</u>
Total Liabilities and Fund Balances	<u>\$ 1,203,357</u>	<u>\$ 231,934</u>	<u>\$ 2,582,939</u>	<u>\$ 1,523,027</u>	<u>\$</u>	<u>5,541,257</u>

JEFFERSON COUNTY SCHOOL DISTRICT

Governmental Funds

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

Exhibit C-1

Total fund balances for governmental funds \$ 5,154,208

Amounts reported for governmental activities in the statement of Net Position
are different because:

1. Capital assets used in governmental activities are not financial resources and
therefore are not reported in the funds:

Land	\$ 19,828	
Buildings	4,127,471	
Building improvements	720,330	
Improvements other than buildings	161,986	
Mobile equipment	1,719,016	
Furniture and equipment	468,495	
Leased property under capital leases	158,287	
Accumulated depreciation	<u>(4,401,939)</u>	2,973,474

2. Long-term liabilities and related accrued interest are not due and payable in
the current period and therefore are not reported in the funds:

Limited obligation bonds	(1,155,000)	
Notes payable	(199,009)	
Capital lease obligations	(26,707)	
Compensated absences	(91,009)	
Accrued interest payable	<u>(12,879)</u>	(1,484,604)

Net position of governmental activities \$ 6,643,078

JEFFERSON COUNTY SCHOOL DISTRICT

Governmental Funds

**Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2013**

Exhibit D

	Major Funds				
	General Fund	Title I-A Basic Fund	Sixteenth Section Interest Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local sources	\$ 2,104,684	\$ -	\$ -	\$ 200,366	\$ 2,305,050
State sources	6,000,902	-	-	633,649	6,634,551
Federal sources	116,361	1,025,550	-	1,697,093	2,839,004
Sixteenth section sources	-	-	522,516	60,735	583,251
Total Revenues	8,221,947	1,025,550	522,516	2,591,843	12,361,856
Expenditures:					
Instruction	4,909,155	567,623	-	1,247,013	6,723,791
Support services	3,571,237	226,634	-	841,178	4,639,049
Noninstructional services	-	122,639	-	784,625	907,264
Sixteenth section	-	-	-	30,545	30,545
Debt service:					
Principal	-	-	-	366,130	366,130
Interest	-	-	-	54,244	54,244
Other	-	-	-	1,000	1,000
Total Expenditures	8,480,392	916,896	-	3,324,735	12,722,023
Excess (Deficiency) of Revenues over (under) Expenditures	(258,445)	108,654	522,516	(732,892)	(360,167)
Other Financing Sources (Uses):					
Insurance recovery	86,023	-	-	-	86,023
Operating transfers in	612,515	-	-	788,817	1,401,332
Operating transfers out	(674,022)	(108,654)	(470,000)	(148,656)	(1,401,332)
Other financing uses	(480)	-	-	-	(480)
Total Other Financing Sources (Uses)	24,036	(108,654)	(470,000)	640,161	85,543
Net Change in Fund Balances	(234,409)	-	52,516	(92,731)	(274,624)
Fund Balances:					
July 1, 2012, as previously reported	1,418,889	-	2,460,023	1,551,471	5,430,383
Prior period adjustments	3,950	-	-	-	3,950
July 1, 2012, as restated	1,422,839	-	2,460,023	1,551,471	5,434,333
Increase (Decrease) in inventory	-	-	-	(5,501)	(5,501)
June 30, 2013	\$ 1,188,430	\$ -	\$ 2,512,539	\$ 1,453,239	\$ 5,154,208

JEFFERSON COUNTY SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2013**

Exhibit D-1

Net change in fund balances - total governmental funds \$ (274,624)

Amounts reported for governmental activities in the statement of activities are different because:

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, this amount is:

Depreciation expense	\$ (176,403)	(176,403)
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2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold.

(193)

3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of issuance costs, 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:

Payments of debt principal	366,130	
Accrued interest payable	<u>4,624</u>	370,754

4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in compensated absences	1,274	
Change in inventory	<u>(5,501)</u>	(4,227)

Change in Net Position of governmental activities \$ (84,693)

JEFFERSON COUNTY SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Net Position
June 30, 2013

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 1,500	\$ 669,697
Due from other funds	-	679
Total Assets	<u>1,500</u>	<u>\$ 670,376</u>
Liabilities		
Accounts payable and accrued liabilities		\$ 616,618
Due to other funds		40,823
Due to student clubs		12,935
Total Liabilities		<u>\$ 670,376</u>
Net Position		
Reserved for endowments	<u>1,500</u>	
Total Net Position	<u>\$ 1,500</u>	

JEFFERSON COUNTY SCHOOL DISTRICT

Fiduciary Funds

**Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2013**

Exhibit F

	<u>Private-Purpose Trust Funds</u>
Additions	
Contributions and donations from private sources	\$ 3,000
Total Additions	<u>3,000</u>
Deductions	
Scholarships awarded	1,500
Total Deductions	<u>1,500</u>
Change in Net Position	<u>1,500</u>
Net Position	
July 1, 2012	<u>-</u>
June 30, 2013	<u>\$ 1,500</u>

The accompanying notes are an integral part of this statement.

Jefferson County School District

Notes to the Financial Statements
For the Year Ended June 30, 2013

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

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

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

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2013

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.

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

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

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

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

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2013

The District's fiduciary funds include the following:

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

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

Scholarship Fund - This fund is used to report a trust arrangement in which the principal and income benefit students through the awarding of scholarships.

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

Other Agency Fund - This fund is used to report resources held by the district in a purely custodial capacity and does not involve measurement of results of operations.

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

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

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2013

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

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2013

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

E. Assets, liabilities, 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

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2013

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.

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net 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:

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

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

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2013

7. Compensated Absences

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

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

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

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

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

9. Fund Balances

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

Governmental fund balance is classified as 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.

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2013

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

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

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

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

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 10% of general revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

Note 2 – Cash and Cash Equivalents

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:

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

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.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$4,573,685 and \$671,197, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2013, none of the district's bank balance of \$5,763,107 was exposed to custodial credit risk.

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title I-A Basic Fund	\$ 231,934
	Other governmental funds	69,788
	Fiduciary funds	40,823
Other governmental funds	Sixteenth Section Interest Fund	27,900
	Fiduciary funds	679
Total		<u>\$ 371,124</u>

The primary purpose of the interfund balances is to eliminate deficit cash balances in certain special revenue funds caused by negative federal award program cash flows. All interfund receivables and payables are expected to be repaid within one year.

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 674,022
Title I-A Basic Fund	Other governmental funds	108,654
Sixteenth Section Interest Fund	General Fund	470,000
Other governmental	General Fund	142,515
	Other governmental funds	6,141
Total		<u>\$ 1,401,332</u>

Operating transfers were primarily for the following: vocational reimbursement transfers, the transfer of expendable sixteenth section sources, the transfer of excess MAEP funds from Hancock Bank, and other routine operating transfers.

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling \$220,949 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district’s programs.

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

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:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 19,828	\$	\$	\$ 19,828
Total non-depreciable capital assets	<u>19,828</u>	-	-	<u>19,828</u>
<u>Depreciable capital assets:</u>				
Buildings	4,127,471			4,127,471
Building improvements	720,330			720,330
Improvements other than buildings	161,986			161,986
Mobile equipment	1,719,016			1,719,016
Furniture and equipment	487,768		19,273	468,495
Leased property under capital leases	158,287			158,287
Total depreciable capital assets	<u>7,374,858</u>	-	19,273	<u>7,355,585</u>
<u>Less accumulated depreciation for:</u>				
Buildings	2,362,891	34,011		2,396,902
Building improvements	230,505	28,814		259,319
Improvements other than buildings	81,671	3,993		85,664
Mobile equipment	1,120,809	79,257		1,200,066
Furniture and equipment	386,414	24,801	19,080	392,135
Leased property under capital leases	62,326	5,527		67,853
Total accumulated depreciation	<u>4,244,616</u>	176,403	19,080	<u>4,401,939</u>
Total depreciable capital assets, net	<u>3,130,242</u>	(176,403)	193	<u>2,953,646</u>
Governmental activities capital assets, net	<u>\$ 3,150,070</u>	\$ (176,403)	\$ 193	<u>\$ 2,973,474</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 62,125
Support services	80,232
Non-instructional	34,046
Total depreciation expense - Governmental activities	<u>\$ 176,403</u>

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

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	Balance 6/30/2013	Amounts due within one year
A. Limited obligation bonds payable	\$ 1,370,000	\$	\$ 215,000	\$ 1,155,000	\$ 215,000
B. Shortfall notes payable	333,222		134,213	199,009	138,977
C. Obligations under capital leases	43,624		16,917	26,707	17,622
D. Compensated absences payable	92,283		1,274	91,009	4,550
Total	\$ 1,839,129	\$ -	\$ 367,404	\$ 1,471,725	\$ 376,149

A. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Capital Improvements Refunding Bonds, Series 2009	3.00%	12/18/09	02/01/18	\$ <u>1,890,000</u>	<u>1,155,000</u>

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 215,000	\$ 34,650	\$ 249,650
2015	225,000	28,200	253,200
2016	230,000	21,450	251,450
2017	235,000	14,550	249,550
2018	250,000	6,250	256,250
Total	\$ 1,155,000	\$ 105,100	\$ 1,260,100

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

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

B. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Shortfall note payable, Series 2010	3.95%	11/19/2010	11/19/2013	\$ 233,000	\$ 80,694
2. Shortfall note payable, Series 2011	3.00%	12/14/2011	12/14/2014	174,900	118,315
Total				<u>\$ 407,900</u>	<u>\$ 199,009</u>

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

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 80,694	\$ 3,187	\$ 83,881
Total	<u>\$ 80,694</u>	<u>\$ 3,187</u>	<u>\$ 83,881</u>

This debt will be retired from the Debt Service Fund.

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 58,283	\$ 3,549	\$ 61,832
2015	60,032	1,801	61,833
Total	<u>\$ 118,315</u>	<u>\$ 5,350</u>	<u>\$ 123,665</u>

This debt will be retired from the Debt Service Fund.

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

Total shortfall notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2014	\$ 138,977	\$ 6,736	145,713
2015	60,032	1,801	61,833
Total	\$ 199,009	\$ 8,537	207,546

C. Obligations under capital leases

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

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

1. The lease transfers ownership of the property to the lessee by the end of the lease term.
2. The lease contains a bargain purchase option.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series 2004A School					
District Lease	4.13%	8/31/2004	9/10/2014	\$ 150,000	\$ 26,707
Total				\$ 150,000	\$ 26,707

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2014	\$ 17,622	\$ 923	18,545
2015	9,085	188	9,273
Total	\$ 26,707	\$ 1,111	27,818

This debt will be retired from the Debt Service Fund.

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

D. Compensated absences payable

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

Note 7 – 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 \$1,002,818, \$872,185 and \$874,790, respectively, which equaled the required contributions for each year.

Note 8 – 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.

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

Year Ending June 30	Amount
2014	\$ 124,723
2015	96,842
Total	<u>\$ 221,565</u>

Note 9 – Prior Period Adjustments

A summary of significant Net Position/Fund Balance adjustments is as follows:

Exhibit B - Statement of Activities

Explanation	Amount
To write off outstanding checks from a prior fiscal year	<u>\$ 3,950</u>
Total	<u>\$ 3,950</u>

Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances

Fund	Explanation	Amount
General Fund	To write off outstanding checks from a prior fiscal year	<u>\$ 3,950</u>
Total		<u>\$ 3,950</u>

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.

Litigation – The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district’s legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2013

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. The district has not had an additional assessment for excess losses incurred by the pool.

Note 12 - Insurance Loss Recoveries

The Jefferson County School District received \$86,023 in insurance loss recoveries related to storm damage to facilities during the 2012-2013 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and were allocated to the support services expense function.

Note 13 – 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 Jefferson County School District evaluated the activity of the district through the date the financial statements were available to be issued, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

JEFFERSON COUNTY SCHOOL DISTRICT

Required Supplementary Information

Exhibit 1

**Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 2,096,095	\$ 2,104,684	\$ 2,104,684	\$ 8,589	\$ -
State sources	5,687,587	6,000,902	6,000,902	313,315	-
Federal sources	256,000	116,361	116,361	(139,639)	-
Total Revenues	8,039,682	8,221,947	8,221,947	182,265	-
Expenditures:					
Instruction	5,079,034	4,903,449	4,909,155	175,585	(5,706)
Support services	3,854,177	3,570,105	3,571,237	284,072	(1,132)
Total Expenditures	8,933,211	8,473,554	8,480,392	459,657	(6,838)
Excess (Deficiency) of Revenues over (under) Expenditures	(893,529)	(251,607)	(258,445)	641,922	(6,838)
Other Financing Sources (Uses):					
Insurance recovery	-	86,023	86,023	86,023	-
Operating transfers in	1,521,480	1,611,897	612,515	90,417	(999,382)
Operating transfers out	(1,461,588)	(1,673,404)	(674,022)	(211,816)	999,382
Other financing uses	-	(480)	(480)	(480)	-
Total Other Financing Sources (Uses)	59,892	24,036	24,036	(35,856)	-
Net Change in Fund Balances	(833,637)	(227,571)	(234,409)	606,066	(6,838)
Fund Balances:					
July 1, 2012, as previously reported	1,563,308	1,412,051	1,418,889	(151,257)	6,838
Prior period adjustments	-	3,950	3,950	3,950	-
July 1, 2012, as restated	1,563,308	1,416,001	1,422,839	(147,307)	6,838
June 30, 2013	\$ 729,671	\$ 1,188,430	\$ 1,188,430	\$ 458,759	\$ -

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

JEFFERSON COUNTY SCHOOL DISTRICT

Required Supplementary Information

**Budgetary Comparison Schedule
Title I-A Basic Fund
For the Year Ended June 30, 2013**

Exhibit 2

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 823,542	\$ 1,130,500	\$ 1,025,550	\$ 306,958	\$ (104,950)
Total Revenues	823,542	1,130,500	1,025,550	306,958	(104,950)
Expenditures:					
Instruction	414,910	646,847	567,623	(231,937)	79,224
Support services	180,553	244,992	226,634	(64,439)	18,358
Noninstructional services	118,079	129,661	122,639	(11,582)	7,022
Total Expenditures	713,542	1,021,500	916,896	(307,958)	104,604
Excess (Deficiency) of Revenues over (under) Expenditures	110,000	109,000	108,654	(1,000)	(346)
Other Financing Sources (Uses):					
Operating transfers out	(110,000)	(109,000)	(108,654)	1,000	346
Total Other Financing Sources (Uses)	(110,000)	(109,000)	(108,654)	1,000	346
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2012	-	-	-	-	-
June 30, 2013	\$ -	\$ -	\$ -	\$ -	\$ -

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

JEFFERSON COUNTY SCHOOL DISTRICT

Required Supplementary Information

**Budgetary Comparison Schedule
Sixteenth Section Interest Fund
For the Year Ended June 30, 2013**

Exhibit 3

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	\$ 375,750	\$ 522,516	\$ 522,516	\$ 146,766	\$ -
Total Revenues	375,750	522,516	522,516	146,766	-
Expenditures:					
Sixteenth section	-	-	-	-	-
Total Expenditures	-	-	-	-	-
Excess (Deficiency) of Revenues over (under) Expenditures	375,750	522,516	522,516	146,766	-
Other Financing Sources (Uses):					
Operating transfers out	(470,000)	(470,000)	(470,000)	-	-
Total Other Financing Sources (Uses)	(470,000)	(470,000)	(470,000)	-	-
Net Change in Fund Balances	(94,250)	52,516	52,516	146,766	-
Fund Balances:					
July 1, 2012	1,650,000	2,460,023	2,460,023	810,023	-
June 30, 2013	\$ 1,555,750	\$ 2,512,539	\$ 2,512,539	\$ 956,789	\$ -

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Jefferson County School District

Notes to the Required Supplementary Information
For the Year Ended June 30, 2013

Budgetary Comparison Schedules

(1) Basis of Presentation

The Budgetary Comparison Schedules present the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget amendments and revisions

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the general fund and each major special revenue fund consistent with accounting principles generally accepted in the United States of America.

SUPPLEMENTARY INFORMATION

Jefferson County School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Schedule 1

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U. S. DEPARTMENT OF AGRICULTURE/</u>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 270,796
National School Lunch Program	10.555	617,587
Summer Food Service Program for Children	10.559	128
Total Child Nutrition Cluster		<u>888,511</u>
Fresh Fruit and Vegetable Program	10.582	45,073
Total passed-through the Mississippi Department of Education		<u>933,584</u>
Passed-through Jefferson County Board of Supervisors:		
Schools and Roads - Grants to States	10.665	47,015
Total passed-through Jefferson County Board of Supervisors		<u>47,015</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>980,599</u>
<u>FEDERAL COMMUNICATIONS COMMISSION</u>		
Administered through Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	47,827
TOTAL FEDERAL COMMUNICATIONS COMMISSION		<u>47,827</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	1,164,778
Career and Technical Education - Basic Grants to States	84.048	21,736
Rural Education	84.358	29,143
Improving Teacher Quality - State Grants	84.367	156,670
Sub-total		<u>1,372,327</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	408,103
Special Education - Preschool Grants	84.173	10,546
Total Special Education Cluster		<u>418,649</u>
Total passed-through the Mississippi Department of Education		<u>1,790,976</u>
TOTAL U. S. DEPARTMENT OF EDUCATION		<u>1,790,976</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
Direct Program:		
Medical Assistance Program	93.778	21,113
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>21,113</u>
TOTAL FOR ALL FEDERAL AWARDS		\$ <u><u>2,840,515</u></u>

Notes to Schedule

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

Jefferson County School District

Schedule 2

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 Administration	School Administration	Other
Salaries and fringe benefits	\$ 9,795,693	7,124,839	597,334	637,176	1,436,344
Other	2,926,330	820,918	175,694	14,451	1,915,267
Total	\$ <u>12,722,023</u>	<u>7,945,757</u>	<u>773,028</u>	<u>651,627</u>	<u>3,351,611</u>
Total number of students *	<u>1,373</u>				
Cost per student	\$ <u>9,266</u>	<u>5,787</u>	<u>563</u>	<u>475</u>	<u>2,441</u>

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

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

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

School Administration - includes expenditures for the following functions: Support Services - School Administration

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

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

OTHER INFORMATION

JEFFERSON 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	\$ 2,104,684	2,098,901	2,120,784	2,052,379
State sources	6,000,902	6,519,358	6,230,250	6,007,850
Federal sources	116,361	255,083	150,952	149,521
Total Revenues	<u>8,221,947</u>	<u>8,873,342</u>	<u>8,501,986</u>	<u>8,209,750</u>
Expenditures:				
Instruction	4,909,155	4,532,064	4,393,015	4,505,703
Support services	3,571,237	3,657,176	3,789,048	3,879,081
Noninstructional services	-	-	688	-
Total Expenditures	<u>8,480,392</u>	<u>8,189,240</u>	<u>8,182,751</u>	<u>8,384,784</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(258,445)</u>	<u>684,102</u>	<u>319,235</u>	<u>(175,034)</u>
Other Financing Sources (Uses):				
Bonds and notes issued	-	174,900	233,000	-
Insurance loss recoveries	86,023	4,856	615	-
Operating transfers in	612,515	-	606,838	355,676
Other financing sources	-	-	1,126	-
Operating transfers out	(674,022)	(622,287)	(609,520)	(781,751)
Other financing uses	(480)	-	-	-
Total Other Financing Sources (Uses)	<u>24,036</u>	<u>(442,531)</u>	<u>232,059</u>	<u>(426,075)</u>
Net Change in Fund Balances	<u>(234,409)</u>	<u>241,571</u>	<u>551,294</u>	<u>(601,109)</u>
Fund Balances:				
July 1, as previously reported	1,418,889	1,178,380	625,442	1,226,551
Prior period adjustment	3,950	(1,062)	1,644	-
July 1, as restated	<u>1,422,839</u>	<u>1,177,318</u>	<u>627,086</u>	<u>1,226,551</u>
June 30,	<u>\$ 1,188,430</u>	<u>1,418,889</u>	<u>1,178,380</u>	<u>625,442</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

JEFFERSON 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	\$ 2,305,050	2,346,948	2,520,750	2,399,948
State sources	6,634,551	7,161,170	6,878,136	6,607,871
Federal sources	2,839,004	3,429,153	3,998,766	3,367,136
Sixteenth section sources	583,251	766,818	493,341	976,110
Total Revenues	<u>12,361,856</u>	<u>13,704,089</u>	<u>13,890,993</u>	<u>13,351,065</u>
Expenditures:				
Instruction	6,723,791	6,723,117	7,136,535	6,654,627
Support services	4,639,049	4,804,922	4,966,744	5,027,057
Noninstructional services	907,264	915,678	915,737	898,485
Sixteenth section	30,545	43,111	63,133	44,964
Debt service:				
Principal	366,130	381,917	441,588	430,691
Interest	54,244	62,243	73,720	98,342
Debt issuance cost	-	-	-	37,895
Other	1,000	1,000	1,000	2,681
Total Expenditures	<u>12,722,023</u>	<u>12,931,988</u>	<u>13,598,457</u>	<u>13,194,742</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(360,167)</u>	<u>772,101</u>	<u>292,536</u>	<u>156,323</u>
Other Financing Sources (Uses):				
Bonds and notes issued	-	174,900	233,000	1,890,000
Insurance loss recoveries	86,023	4,856	615	-
Premiums on bonds and refunding bonds issued	-	-	-	25,004
Payment to refunded bond escrow agent	-	-	-	(1,873,604)
Operating transfers in	1,401,332	622,287	1,216,358	1,137,427
Other financing sources	-	-	1,126	-
Operating transfers out	(1,401,332)	(622,287)	(1,216,358)	(1,137,427)
Other financing uses	(480)	-	-	-
Total Other Financing Sources (Uses)	<u>85,543</u>	<u>179,756</u>	<u>234,741</u>	<u>41,400</u>
Net Change in Fund Balances	<u>(274,624)</u>	<u>951,857</u>	<u>527,277</u>	<u>197,723</u>
Fund Balances:				
July 1, as previously reported	5,430,383	4,476,751	3,950,915	3,742,144
Prior period adjustments	3,950	(1,062)	1,504	-
July 1, as restated	<u>5,434,333</u>	<u>4,475,689</u>	<u>3,952,419</u>	<u>3,742,144</u>
Increase (Decrease) in inventory	(5,501)	2,837	(2,945)	11,048
June 30,	<u>\$ 5,154,208</u>	<u>5,430,383</u>	<u>4,476,751</u>	<u>3,950,915</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Jefferson County School District

We have audited, 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 Jefferson 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 Jefferson County School District's basic financial statements, and have issued our report thereon dated May 8, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Jefferson County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our 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.

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
May 8, 2014

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133

Superintendent and School Board
Jefferson County School District

Report on Compliance for Each Major Federal Program

We have audited Jefferson 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 Jefferson County School District's major federal programs for the year ended June 30, 2013. The Jefferson County School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Jefferson County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the school district's compliance.

Opinion on Each Major Federal Program

In our opinion, the Jefferson 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 the Jefferson 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 our audit of compliance, we considered Jefferson 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 to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

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

Our 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. We did not identify any deficiencies in internal control over compliance that we 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 out 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.

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
May 8, 2014

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Jefferson County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson County School District as of and for the year ended June 30, 2013, which collectively comprise Jefferson County School District's basic financial statements and have issued our report thereon dated May 8, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$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 ensure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

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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.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
May 8, 2014

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Jefferson County School District

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unmodified.
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported.
3. Noncompliance material to financial statements noted? No.

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported.
5. Type of auditor's report issued on compliance for major programs: Unmodified.
6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No.
7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555 & 10.559	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies
84.367	Improving Teacher Quality - State Grants

8. Dollar threshold used to distinguish between type A and type B programs: \$300,000.
9. Auditee qualified as low-risk auditee? No.

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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