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JONES COUNTY SCHOOL DISTRICT

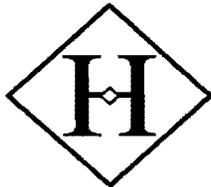
Audited Financial Statements
For the Year Ended June 30, 2013

JONES COUNTY SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	2 - 4
MANAGEMENT'S DISCUSSION AND ANALYSIS	6 - 13
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Exhibit A – Statement of Net Position	15
Exhibit B – Statement of Activities	16
Governmental Funds Financial Statements	
Exhibit C – Balance Sheet	17
Exhibit C-1 – Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances	19
Exhibit D-1 – Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	20
Fiduciary Funds Financial Statements	
Exhibit E – Statement of Fiduciary Net Position	21
Exhibit F – Statement of Changes in Fiduciary Net Position	22
Notes to the Financial Statements	23 - 41
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund	43
Notes to the Required Supplementary Information	44
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	46 - 47
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds	48
OTHER INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years	50
Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years	51
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>	53 - 54
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	55 - 56
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	58 - 59
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	61 - 63
AUDITEE'S CORRECTIVE ACTION PLAN AND SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS	65 - 69

INDEPENDENT AUDITOR'S REPORT



HOLT & ASSOCIATES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

W. David Dill, CPA
Julie M. Uher, CPA
Kari M. Blackledge, CPA

H. I. Holt, CPA
Founder (1915-1997)

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Jones 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 Jones 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 Jones 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.

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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 Jones 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 6 - 13 and 43 - 44 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 Jones County School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), 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 April 28, 2015, on our consideration of the Jones County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jones County School District's internal control over financial reporting and compliance.

Holt & Associates, PLLC

Laurel, MS

April 28, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

FINANCIAL HIGHLIGHTS

- Total net position for 2013 increased \$3,888,361, including a prior period adjustment of \$5,205,108, which represents an 8% increase from fiscal year 2012. Total net position for 2012 decreased \$6,601,128, which represents a 12% decrease from fiscal year 2011.
- General revenues amounted to \$56,538,111 and \$54,335,860, or 82% and 80% 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 \$12,173,099, or 18% of total revenues for 2013, and \$13,668,887, or 20% of total revenues for 2012.
- The District had \$70,072,957 and \$74,605,875 in expenses for fiscal years 2013 and 2012; only \$12,173,099 for 2013 and \$13,668,887 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$56,583,111 for 2013 and \$54,335,860 for 2012 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$51,312,799 in revenues and \$52,702,436 in expenditures for 2013, and \$53,222,561 in revenues and \$54,179,316 in expenditures in 2012. The General Fund's fund balance increased by \$1,103,261 from 2012 to 2013, and decreased by \$2,814,553 from 2011 to 2012.
- Capital assets, net of accumulated depreciation, decreased by \$2,277,482 for 2013 and increased by \$512,670 for 2012. The decrease for 2013 was due to the completion of capital projects coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$4,066,044 for 2013 and increased by \$964,833 for 2012. This decrease for 2013 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$51,874 for 2013 and decreased by \$261,266 for 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The Statement of Net Position presents information on all the District's nonfiduciary assets and liabilities, with the differences between the two reported as "net position." Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

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

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-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.

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund 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 \$52,017,166 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.

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

Table 1 presents a summary of the District's net position at June 30, 2013 and June 30, 2012.

Table 1
Condensed Statement of Net Position

	June 30, 2013	June 30, 2012	Percentage Change
Current assets	\$ 20,082,088	\$ 19,075,210	5.28 %
Restricted assets	5,035,886	4,097,556	22.90 %
Capital assets, net	76,848,279	79,125,761	-2.88 %
Total assets	101,966,253	102,298,527	-0.32 %
Deferred outflows of resources	-	-	N/A %
Current liabilities	5,379,430	5,482,147	-1.87 %
Long-term debt outstanding	44,569,657	48,687,575	-8.46 %
Total liabilities	49,949,087	54,169,722	-7.79 %
Deferred inflows of resources	-	-	N/A %
Net position:			
Net investment in capital assets	33,398,167	32,075,761	4.12 %
Restricted	17,190,146	17,357,757	-0.97 %
Unrestricted	1,428,853	(1,304,713)	209.51 %
Total net position	\$ 52,017,166	\$ 48,128,805	8.08 %

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 \$2,277,482.
- The principal retirement of \$4,066,044 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 \$68,756,210 and 68,004,747, respectively. The total cost of all programs and services was \$70,072,957 for 2013 and \$74,605,875 for 2012.

JONES 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

	Year Ended June 30, 2013	Year Ended June 30, 2012	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 2,723,750	\$ 3,308,754	(17.68) %
Operating grants and contributions	9,449,349	10,095,169	(6.40) %
Capital Grants and Contributions	-	264,964	(100.00) %
General revenues:			
Property taxes	16,860,866	13,599,464	23.98 %
Grants and contributions not restricted	37,135,626	38,795,419	(4.28) %
Investment earnings	77,998	182,403	(57.24) %
Sixteenth section sources	2,298,652	1,662,646	38.25 %
Other	209,969	95,928	118.88 %
Total revenues	68,756,210	68,004,747	1.11 %
Expenses:			
Instruction	42,019,308	47,837,835	(12.16) %
Support services	19,945,727	18,905,778	5.50 %
Non-instructional	4,036,157	4,651,273	(13.22) %
Sixteenth section	765,645	968,244	(20.92) %
Interest on long-term liabilities	3,306,120	2,242,745	47.41 %
Total expenses	70,072,957	74,605,875	(6.08) %
Increase (Decrease) in net position	(1,316,747)	(6,601,128)	80.05 %
Net Position, July 1, as previously reported	48,128,805	54,729,933	(12.06) %
Prior Period Adjustment	5,205,108	-	N/A %
Net Position, July 1, as restated	53,333,913	54,729,933	(2.55) %
Net Position, June 30	\$ 52,017,166	\$ 48,128,805	8.08 %

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.

JONES 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	\$ 42,019,308	\$ 47,837,835	(12.16) %
Support services	19,945,727	18,905,778	5.50 %
Non-instructional	4,036,157	4,651,273	(13.22) %
Sixteenth section	765,645	968,244	(20.92) %
Interest on long-term liabilities	3,306,120	2,242,745	47.41 %
Total expenses	<u>\$ 70,072,957</u>	<u>\$ 74,605,875</u>	(6.08) %

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ (35,669,918)	\$ (40,072,392)	(10.99) %
Support services	(18,504,743)	(17,322,749)	6.82 %
Non-instructional	346,568	(462,108)	(175.00) %
Sixteenth section	(765,645)	(836,994)	(8.52) %
Interest on long-term liabilities	(3,306,120)	(2,242,745)	47.41 %
Total net (expense) revenue	<u>\$ (57,899,858)</u>	<u>\$ (60,936,988)</u>	(4.98) %

- Net cost of governmental activities (\$57,899,858 for 2013 and \$60,936,988 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$16,860,866 for 2013 and \$13,599,464 for 2012) and state and federal revenues (\$37,135,626 for 2013 and \$38,795,419 for 2012). In addition, there was \$2,298,652 and \$1,662,646 in Sixteenth Section sources for 2013 and 2012, respectively.
- Investment earnings amounted to \$77,998 for 2013 and \$182,403 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 \$21,209,875, an increase of \$2,030,638, which includes a prior period adjustment of \$4,041,275 and an increase in inventory of \$33,701. The unassigned fund balance was a deficit of \$387,284 or -2% of the fund balance, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$21,597,159 or 102% is either non-spendable, 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.

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

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$1,103,261 which includes a prior period adjustment of \$3,673,496. The fund balance of Other Governmental Funds showed an increase in the amount of \$278,783, which includes a prior period adjustment of \$360,220 and an increase in reserve for inventory of \$34,558, due primarily to a prior period adjustment. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Sixteenth Section Principal Fund	\$ 648,594

BUDGETARY HIGHLIGHTS

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

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund 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 \$106,812,596, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$96,259 from 2012. Total accumulated depreciation as of June 30, 2013, was \$29,964,317, and total depreciation expense for the year was \$2,778,013, resulting in total net capital assets of \$76,848,279.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Land	\$ 846,863	\$ 771,863	9.72 %
Buildings	65,686,106	67,290,280	(2.38) %
Building improvements	4,927,846	5,126,458	(3.87) %
Improvements other than Buildings	300,945	-	N/A
Mobile equipment	1,836,635	2,179,779	(15.74) %
Furniture and equipment	236,384	413,131	(42.78) %
Leased property under capital leases	3,013,500	3,344,250	(9.89) %
Total	\$ 76,848,279	\$ 79,125,761	(2.88) %

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

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

Debt Administration. At June 30, 2013, the District had \$44,569,657 in outstanding long-term debt, of which \$4,143,672 is due within one year. The liability for compensated absences decreased \$51,874 from the prior year.

The District maintains an A+ bond rating.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 30,675,000	\$ 32,395,000	(5.31) %
Limited obligation bonds payable	5,990,000	6,910,000	(13.31) %
Three mill notes payable	3,685,000	4,070,000	(9.46) %
Shortfall notes payable	529,136	995,292	(46.84) %
Obligations under capital leases	3,100,112	3,675,000	(15.64) %
Compensated absences payable	590,409	642,283	(8.08) %
Total	<u>\$ 44,569,657</u>	<u>\$ 48,687,575</u>	(8.46) %

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

CURRENT ISSUES

The Jones County School District is proud of its community support of the public schools.

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

The District actively pursues grant funding to supplement the local, state and federal revenues. Enrollment for the 2012-2013 year decreased 4% from the prior year to 7,963 students.

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 Jones County School District, 5204 Hwy 11 North, Ellisville, MS 39437.

FINANCIAL STATEMENTS

**JONES COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013**

EXHIBIT A

		<u>Primary Government Governmental Activities</u>
ASSETS:		
Cash and cash equivalents	\$	9,685,865
Investments		7,254,710
Other receivables		60,539
Due from other governments		2,726,231
Inventories		111,023
Deferred Charges		243,720
Restricted assets		5,035,886
Capital assets, non-depreciable		
Land		846,863
Capital assets, net of accumulated depreciation		
Buildings		65,686,106
Building Improvements		4,927,846
Improvements other than buildings		300,945
Mobile equipment		1,836,635
Furniture and equipment		236,384
Leased Property under Capital Lease		<u>3,013,500</u>
TOTAL ASSETS		<u>101,966,253</u>
LIABILITIES:		
Accounts payable and accrued liabilities		3,658,535
Accrued Interest		1,715,051
Deferred revenue		5,844
Long-term liabilities (Due within one year)		
Capital related liabilities		3,769,433
Non-capital related liabilities		374,239
Long-term liabilities (Due beyond one year)		
Capital related liabilities		39,680,679
Non-capital related liabilities		<u>745,306</u>
TOTAL LIABILITIES		<u>49,949,087</u>
NET POSITION:		
Invested in capital assets (net of related debt)		33,398,167
Restricted net position:		
Expendable:		
School-based activities		1,089,508
Debt service		1,071,371
Capital projects		11,929
Forestry improvements		280,973
Unemployment benefits		159,730
Non-expendable:		
Sixteenth section		14,576,635
Unrestricted:		<u>1,428,853</u>
TOTAL NET POSITION	\$	<u><u>52,017,166</u></u>

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

**JONES COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

EXHIBIT B

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Primary Government Governmental Activities
Primary Government:					
Governmental Activities:					
Instruction	\$ 42,019,308	\$ 1,759,253	\$ 4,590,137	\$ -	(35,669,918)
Support services	19,945,727	-	1,440,984	-	(18,504,743)
Non-instructional	4,036,157	964,497	3,418,228	-	346,568
Sixteenth section	765,645				(765,645)
Interest and other expenses on long-term liabilities	3,306,120	-	-	-	(3,306,120)
Total governmental activities	\$ 70,072,957	2,723,750	9,449,349	-	(57,899,858)
Taxes:					
General purpose levies					13,402,931
Debt purpose levies					3,457,935
Unrestricted grants & contributions:					
State					36,840,597
Federal					295,029
Unrestricted investment earnings					77,998
Sixteenth section earnings					2,298,652
Other					209,969
Total General Revenues					56,583,111
Change in Net Position					(1,316,747)
Net Position - Beginning, as previous reported					48,128,805
Prior period adjustments					5,205,108
Net Position- Beginning, as restated					53,333,913
Net Position - Ending					\$ 52,017,166

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

**JONES COUNTY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013**

EXHIBIT C

	MAJOR FUNDS			Total Governmental Funds
	General Fund	16th Section Principal Fund	Other Governmental Funds	
ASSETS:				
Cash and cash equivalents	\$ 5,854,717	\$ 4,514,065	\$ 3,831,148	\$ 14,199,930
Cash with fiscal agents	-	-	521,821	521,821
Investments	4,628,539	1,735,699	890,472	7,254,710
Due from other governments	830,403	-	1,386,889	2,217,292
Accrued interest receivable	9,639	-	-	9,639
Other receivables	9,638	7,228	34,034	50,900
Due from other funds	4,943,587	2,923,923	1,610,396	9,477,906
Advances to other funds	-	6,387,523	-	6,387,523
Inventories and prepaid items	20,684	-	90,339	111,023
TOTAL ASSETS	\$ 16,297,207	\$ 15,568,438	\$ 8,365,099	\$ 40,230,744
LIABILITIES & FUND BALANCES:				
Liabilities:				
Accounts payable and accrued liabilities	\$ 2,502,349	\$ 609,193	\$ 546,993	\$ 3,658,535
Due to other funds	5,081,973	382,610	3,504,384	8,968,967
Advances from other funds	6,387,523	-	-	6,387,523
Unearned revenue	-	-	5,844	5,844
Total Liabilities	13,971,845	991,803	4,057,221	19,020,869
Fund Balances:				
Nonspendable:				
Advances	-	6,387,523	-	6,387,523
Inventory	20,684	-	90,339	111,023
Permanent fund principal	-	8,189,112	-	8,189,112
Restricted:				
Debt service	-	-	2,139,197	2,139,197
Capital projects	-	-	11,929	11,929
Forestry improvement purposes	-	-	280,973	280,973
Grant activities	-	-	97,679	97,679
Unemployment benefits	-	-	159,730	159,730
Food Service	-	-	880,806	880,806
Future debt payments	-	-	647,225	647,225
Assigned:				
Activity and Athletics	351,624	-	-	351,624
Construction	2,323,908	-	-	2,323,908
Other purposes	16,430	-	-	16,430
Unassigned	(387,284)	-	-	(387,284)
Total Fund Balances	2,325,362	14,576,635	4,307,878	21,209,875
TOTAL LIABILITIES AND FUND BALANCES	\$ 16,297,207	\$ 15,568,438	\$ 8,365,099	\$ 40,230,744

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

**JONES COUNTY SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013**

EXHIBIT C-1

Total Fund Balance - Governmental Funds \$ 21,209,875

Amounts reported for governmental activities in the statement of net assets
(Exhibit A) are different because:

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

Land	846,863	
Buildings	87,004,911	
Building Improvements	7,913,487	
Improvements other than buildings	313,484	
Mobile equipment	4,520,695	
Furniture and equipment	2,538,156	
Leased property under capital lease	3,675,000	
Accumulated Depreciation	<u>(29,964,317)</u>	76,848,279

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:

General obligation bonds	(30,675,000)	
Limited obligation bonds	(5,990,000)	
Notes payable	(4,214,136)	
Obligations under capital leases	(3,100,112)	
Unamortized bond issuance costs	243,720	
Accrued interest payable	(1,715,051)	
Compensated absences	<u>(590,409)</u>	<u>(46,040,988)</u>

Total Net Position - Governmental Activities \$ 52,017,166

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

JONES COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

EXHIBIT D

	MAJOR FUNDS			Total Governmental Funds
	General Fund	16th Section Principal Fund	Other Governmental Funds	
Revenues:				
Local Sources	\$ 14,763,354	\$ 11,568	\$ 4,443,386	\$ 19,218,308
State Sources	36,231,986	-	2,471,460	38,703,446
Federal Sources	317,459	-	8,123,055	8,440,514
Sixteenth Section Sources	-	1,238,660	1,059,992	2,298,652
Total Revenues	<u>51,312,799</u>	<u>1,250,228</u>	<u>16,097,893</u>	<u>68,660,920</u>
Expenditures:				
Instruction	34,222,248	-	5,810,015	40,032,263
Support Services	17,044,584	-	2,265,706	19,310,290
Noninstructional Services	-	-	3,984,524	3,984,524
Sixteenth Section	-	609,193	156,478	765,671
Facilities Acquisition and Construction	482,185	-	-	482,185
Debt Service:				
Principal	574,888	-	3,491,156	4,066,044
Interest	378,531	-	1,774,853	2,153,384
Other	-	-	6,190	6,190
Total Expenditures	<u>52,702,436</u>	<u>609,193</u>	<u>17,488,922</u>	<u>70,800,551</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,389,637)</u>	<u>641,035</u>	<u>(1,391,029)</u>	<u>(2,139,631)</u>
Other Financing Sources (Uses):				
Insurance Recovery	7,712	-	-	7,712
Sale of Other Property	200	-	87,381	87,581
Operating Transfers In	1,708,976	-	2,896,629	4,605,605
Operating Transfers Out	(2,896,629)	-	(1,708,976)	(4,605,605)
Total Other Financing Sources (Uses)	<u>(1,179,741)</u>	<u>-</u>	<u>1,275,034</u>	<u>95,293</u>
Net Change in Fund Balances	<u>(2,569,378)</u>	<u>641,035</u>	<u>(115,995)</u>	<u>(2,044,338)</u>
Fund Balances:				
July 1, 2012, as previously reported	1,222,101	13,928,041	4,029,095	19,179,237
Prior period adjustment	3,673,496	7,559	360,220	4,041,275
July 1, 2012, as restated	<u>4,895,597</u>	<u>13,935,600</u>	<u>4,389,315</u>	<u>23,220,512</u>
Increase (Decrease) in reserve for Inventory	<u>(857)</u>	<u>-</u>	<u>34,558</u>	<u>33,701</u>
June 30, 2013	<u>\$ 2,325,362</u>	<u>\$ 14,576,635</u>	<u>\$ 4,307,878</u>	<u>\$ 21,209,875</u>

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

**JONES COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

EXHIBIT D-1

Net Change in fund balances - governmental funds \$ (2,044,338)

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

<p>1. Governmental fund report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:</p> <p style="padding-left: 40px;">Capital outlay 564,820</p> <p style="padding-left: 40px;">Depreciation expense <u>(2,778,013)</u></p>	<p>(2,213,193)</p>
<p>2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in governmental funds, the proceeds from the sale increases financial resources. Thus, the change in the net assets differs from the change in fund balance by the cost of the assets sold.</p>	<p>(64,289)</p>
<p>3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and the difference between the carrying value of refunded debt and the acquisitions cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statements of activities.</p> <p style="padding-left: 40px;">Amortization of deferred issuance costs (30,874)</p> <p style="padding-left: 40px;">Payments of debt principal 4,066,044</p> <p style="padding-left: 40px;">Accrued interest payable <u>(1,115,672)</u></p>	<p>2,919,498</p>
<p>4. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:</p> <p style="padding-left: 40px;">Change in inventory reserve 33,701</p> <p style="padding-left: 40px;">Change in compensated absences <u>51,874</u></p>	<p>85,575</p>
<p>Change in net position of governmental activities</p>	<p><u>\$ (1,316,747)</u></p>

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

**JONES COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013**

EXHIBIT E

	Private-Purpose Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 1,004	\$ 650,797
Investments	20,000	
Due from other funds	-	942,022
TOTAL ASSETS	21,004	1,592,819
LIABILITIES		
Due to other funds	-	1,450,961
Due to student clubs	-	141,858
TOTAL LIABILITIES	\$ -	\$ 1,592,819
NET POSITION		
Reserved for endowments	21,004	
TOTAL NET POSITION	\$ 21,004	

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

**JONES COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
JUNE 30, 2013**

EXHIBIT F

	Private-Purpose Trust Funds
Additions	
Interest on investments	\$ -
Contributions and donations from private sources	1,000
Total Additions	1,000
Deductions	
Scholarships awarded	2,249
Total Deductions	2,249
Change in Net Position	(1,249)
Net Position	
June 30, 2012	22,253
June 30, 2013	\$ 21,004

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

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

B. Government-wide and Fund Financial Statements

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

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

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

JONES COUNTY SCHOOL DISTRICT

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

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

The school district reports the following major governmental funds:

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

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

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

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

The District's fiduciary funds include the following:

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

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

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

JONES COUNTY SCHOOL DISTRICT

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

FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

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

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

JONES COUNTY SCHOOL DISTRICT

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

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

D. Encumbrances

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

E. Assets, liabilities, and net position/fund balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

JONES COUNTY SCHOOL DISTRICT

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

JONES COUNTY SCHOOL DISTRICT

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

The following schedule details the capitalization thresholds:

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

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

7. Compensated Absences

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

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

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

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

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

9. Fund Balances

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

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

JONES COUNTY SCHOOL DISTRICT

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

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

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

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

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

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other 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 5% of general fund revenues. If the unassigned fund balance at fiscal year-end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

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

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

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

JONES COUNTY SCHOOL DISTRICT

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer ; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$14,721,751 and \$651,801, respectively. The bank balance was \$18,195,987.

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 \$18,195,987 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$521,821.

Investments

As of June 30, 2013, the district has the following investments:

<u>Investment Type</u>	<u>Rating</u>	<u>Maturity (in years)</u>	<u>Fair Value</u>
Money market	N/A	N/A	\$ 87,427
Certificate of Deposits	N/A	2	266,343
U. S. Government Securities	AA+	2 - 10	1,421,263
Corporate Bonds	A+ to A-	1 - 4	1,091,612
Municipal Bonds	A to AA-	1 - 14	1,818,296
Fixed CMO's	AA+	7 - 28	1,504,533
Federal Home Loan Banks	AA+	4 - 17	1,085,236
Total			<u>\$ 7,274,710</u>

JONES COUNTY SCHOOL DISTRICT

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

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

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

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

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2013, the district did not have any investments over 5% of the district's total investments other than those mentioned.

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Sixteenth Section Principal	\$ 372,500
	Other governmental funds	3,124,860
	Fiduciary funds	1,446,227
Sixteenth Section Principal	General Fund	2,923,923
	Other governmental funds	1,595,552
Fiduciary funds	Sixteenth Section Principal	10,110
	Fiduciary funds	4,734
	General Fund	562,498
	Other governmental funds	379,524
Total		\$ 10,419,928

The primary purpose of the inter-fund balances was to eliminate deficit cash balances in pooled bank account caused by negative Federal award program cash flows. Amounts in fiduciary funds due to governmental funds in the form of interest income earned during the year and other amounts due are shown as inter-fund balances at balance sheet date June 30, 2013.

B. Advances To/From Other Funds

JONES COUNTY SCHOOL DISTRICT

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

Receivable Fund	Payable Fund	Amount
Sixteenth Section Principal Fund	General Fund	6,387,523
Total		\$ 6,387,523

Note: The sixteenth section principal loans payable are not reflected on the Statement of Net Position because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances.

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 731,305	\$ 255,501	\$ 986,806
2015	731,305	226,249	957,554
2016	715,248	196,997	912,245
2017	606,054	168,387	774,441
2018	546,808	144,144	690,952
2019 - 2023	1,778,996	445,806	2,224,802
2024 - 2028	1,071,645	166,969	1,238,614
2029	206,162	8,247	214,409
Total	\$ 6,387,523	\$ 1,612,300	\$ 7,999,823

C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other Governmental Funds	\$ 2,896,629
Other Governmental Funds	General Fund	1,708,976
		\$ 4,605,605

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

Note 4 – Restricted Assets

The restricted assets represent the cash balance, totaling \$4,514,065 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the cash balance, totaling \$521,821, of the MAEP Limited Obligation Bond/Note Fund.

JONES 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	Adjustments	Balance 6/30/2013
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 771,863	\$ 75,000	- \$	- \$	846,863
Total non-depreciable capital assets	771,863	75,000	-	-	846,863
<u>Depreciable capital assets:</u>					
Buildings	87,004,911	-	-	-	87,004,911
Building improvements	7,819,786	93,701	-	-	7,913,487
Improvements o/t buildings	-	313,484	-	-	313,484
Mobile equipment	4,550,695	-	30,000	-	4,520,695
Furniture and equipment	2,894,082	82,635	16,404	(422,157)	2,538,156
Leased property under capital leases	3,675,000	-	-	-	3,675,000
Total depreciable capital assets	105,944,474	489,820	46,404	(422,157)	105,965,733
<u>Less accumulated depreciation for:</u>					
Buildings	19,714,631	1,604,174	-	-	21,318,805
Building improvements	2,693,328	292,313	-	-	2,985,641
Improvements o/t buildings	-	12,540	-	-	12,540
Mobile equipment	2,370,916	325,744	12,600	-	2,684,060
Furniture and equipment	2,480,951	212,492	16,240	(375,432)	2,301,771
Leased property under capital leases	330,750	330,750	-	-	661,500
Total accumulated depreciation	27,590,576	2,778,013	28,840	(375,432)	29,954,317
Total depreciable capital assets, net	78,353,898	(2,288,193)	17,564	(46,725)	76,001,416
Governmental activities capital assets, net	\$ 79,125,761	\$ (2,213,193)	\$ 17,564	(46,725)	\$ 76,848,279

Adjustments were made to remove vocational assets that are included with capital assets reported by the State of Mississippi.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 1,991,301
Support services	695,451
Non-instructional	91,261
Total depreciation expense - Governmental activities	<u>\$ 2,778,013</u>

JONES 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. General obligation bonds payable	\$ 32,395,000	\$ -	\$ 1,720,000	\$ 30,675,000	\$ 1,830,000
B. Limited obligation bonds payable	6,910,000	-	920,000	5,990,000	955,000
D. Three mill notes payable	4,070,000	-	385,000	3,685,000	395,000
F. Shortfall notes payable	995,292	-	466,156	529,136	374,239
G. Obligations under capital leases	3,675,000	-	574,888	3,100,112	589,433
M. Compensated absences payable	642,283	-	51,874	590,409	-
Total	<u>\$ 48,687,575</u>	<u>\$ -</u>	<u>\$ 4,117,918</u>	<u>\$ 44,569,657</u>	<u>\$ 4,143,672</u>

A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. General obligation refunding bonds- Series 2003	1.25-4.2 %	8/28/2003	2/1/2016	\$ 2,410,000	\$ 725,000
2. General obligation bonds Series 2007	3.25-4.63%	4/1/2007	10/1/2025	37,000,000	29,950,000
Total				<u>\$ 39,410,000</u>	<u>\$ 30,675,000</u>

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

1. General obligation bond issue of August 28, 2003:

Year Ending June 30	Principal	Interest	Total
2014	\$ 230,000	\$ 29,810	\$ 259,810
2015	240,000	20,610	260,610
2016	255,000	10,710	265,710
Total	<u>\$ 725,000</u>	<u>\$ 61,130</u>	<u>\$ 786,130</u>

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

JONES COUNTY SCHOOL DISTRICT

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

2. General obligation bond issue of April 1, 2007:

Year Ending June 30	Principal	Interest	Total
2014	\$ 1,600,000	\$ 1,220,687	\$ 2,820,687
2015	1,700,000	1,144,375	2,844,375
2016	1,800,000	1,063,438	2,863,438
2017	1,900,000	977,875	2,877,875
2018	2,200,000	883,063	3,083,063
2019 – 2023	12,750,000	2,753,281	15,503,281
2024 – 2028	8,000,000	357,500	8,357,500
Total	\$ 29,950,000	\$ 8,400,219	\$ 38,350,219

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

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2014	\$ 1,830,000	\$ 1,250,497	\$ 3,080,497
2015	1,940,000	1,164,985	3,104,985
2016	2,055,000	1,074,148	3,129,148
2017	1,900,000	977,875	2,877,875
2018	2,200,000	883,063	3,083,063
2019 – 2023	12,750,000	2,753,281	15,503,281
2024 – 2028	8,000,000	357,500	8,357,500
Total	\$ 30,675,000	\$ 8,461,349	\$ 39,136,349

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2013, the amount of outstanding bonded indebtedness was equal to 10% of property assessments as of October 1, 2012.

JONES COUNTY SCHOOL DISTRICT

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

B. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. State Aid Capital Improvement					
Bonds- Series 2006	4.0-4.25%	8/31/2006	2/1/2018	\$ 9,925,000	\$ 5,990,000
Total				<u>\$ 9,925,000</u>	<u>\$ 5,990,000</u>

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

1. Limited obligation bond issue of August 31, 2006:

Year Ending June 30	Principal	Interest	Total
2014	\$ 955,000	\$ 223,925	\$ 1,178,925
2015	995,000	184,925	1,179,925
2016	1,035,000	144,325	1,179,325
2017	1,075,000	67,700	1,142,700
2018	1,930,000	91,950	2,021,950
Total	<u>\$ 5,990,000</u>	<u>\$ 712,825</u>	<u>\$ 6,702,825</u>

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

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

D. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Three mill note, Series 2003	1.25-4.35 %	8/4/2003	10/1/2020	\$ 6,500,000	\$ 3,685,000
Total				<u>\$ 6,500,000</u>	<u>\$ 3,685,000</u>

JONES COUNTY SCHOOL DISTRICT

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

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

1. Three mill notes payable issue of August 4, 2003:

Year Ending June 30	Principal	Interest	Total
2014	\$ 395,000	\$ 149,485	\$ 544,485
2015	410,000	134,672	544,672
2016	435,000	119,093	554,093
2017	450,000	102,128	552,128
2018	470,000	84,128	554,128
2019 – 2021	1,525,000	132,642	1,657,642
Total	\$ 3,685,000	\$ 722,148	\$ 4,407,148

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

F. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Shortfall Note, Series 2010	3.27%	8/9/2010	8/9/2013	\$ 650,289	\$ 223,787
2. Shortfall Note, Series 2011	2.81%	9/19/2011	9/19/2014	451,472	305,349
Total				\$ 1,101,761	\$ 529,136

The amount outstanding is included in due from other governments on the Statement of Net Position.

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

1. Shortfall notes payable issue of August 9, 2010:

Year Ending June 30	Principal	Interest	Total
2014	\$ 223,787	\$ 7,318	\$ 231,105
Total	\$ 223,787	\$ 7,318	\$ 231,105

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

JONES COUNTY SCHOOL DISTRICT

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

2. Shortfall notes payable issue of September 19, 2011:

Year Ending June 30	Principal	Interest	Total
2014	\$ 150,452	\$ 8,574	\$ 159,026
2015	154,897	4,130	159,027
Total	\$ 305,349	\$ 12,704	\$ 318,053

This debt will be retired from the Shortfall Debt Service Fund

Total shortfall notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2014	\$ 374,239	\$ 15,892	\$ 390,131
2015	154,897	4,130	159,027
Total	\$ 529,136	\$ 20,022	\$ 549,158

G. Obligations under capital leases

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Transportation Lease	2.53%	8/9/2012	8/9/2017	\$ 3,675,000	\$ 3,100,112
Total				\$ 3,675,000	\$ 3,100,112

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	\$ 589,433	\$ 78,433	\$ 667,866
2015	604,345	65,520	669,865
2016	619,636	48,230	667,866
2017	635,312	34,553	669,865
2018	651,386	16,480	667,866
Total	\$ 3,100,112	\$ 243,216	\$ 3,343,328

This debt will be retired from the District Maintenance Fund.

JONES COUNTY SCHOOL DISTRICT

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

M. 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 – Other Commitments

Operating leases:

The school district has several operating leases for the following:

1. Two (2) driver ed cars, at a total cost of \$28,418, with a refundable down payment of \$400 for each car.
2. Four (4) driver ed cars, at a total cost of \$56,080, with a refundable down payment of \$400 for each car.
3. Four (4) driver ed cars, at a total cost of \$102,436, with a refundable down payment of \$400 for each car.

Lease expenditures for the year ended June 30, 2013, amounted to \$42,150.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2014	\$ 28,195
2015	19,128
2016	19,128
2017	5,580
Total	<u>\$ 72,031</u>

Note 8 – Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2013 was 14.26% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2013, 2012 and 2011 were \$5,047,893, \$ 4,711,010 and \$4,625,838, respectively, which equaled the required contributions for each year.

JONES COUNTY SCHOOL DISTRICT

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

Note 9 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2014	\$ 176,337
2015	157,443
2016	145,095
2017	126,563
2018	109,501
2019 – 2023	419,084
2024 – 2028	326,274
2029 – 2033	213,741
2034 – 2038	95,909
2039 – 2043	7,891
Total	<u>\$ 1,777,838</u>

Note 10 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Correction of errors in cash and due to and from other funds	\$ 5,235,982
2. Correction of amortization for bond issuance costs for fye 6-30-12	<u>(30,874)</u>
Total	<u>\$ 5,205,108</u>

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

JONES COUNTY SCHOOL DISTRICT

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

Explanation	Amount
General Fund	
1. Correction of errors in cash and due to and from other funds	\$ 3,673,496
Total	\$ 3,673,496
16th Section Principal Fund	
1. Correction of errors in cash and due to and from other funds	\$ 7,559
Total	\$ 7,559
Other Governmental Funds	
1. Correction of errors in cash and due to and from other funds	\$ 360,220
Total	\$ 360,220

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. The district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 12 - Insurance loss recoveries

The Jones County School District received \$7,712 in insurance loss recoveries related to vehicle damage during the 2012-2013 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated among the expense functions based on the following percentages:

Insurance Loss	Recoveries	Percentage	Expense Function
	7,712	100%	Non-instructional
	\$ 7,712	100%	

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 Jones County School District evaluated the activity of the district through April 28, 2015 (the date the financial statements were available to be issued), and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements:

The School District filed an eminent domain suit against property owners to acquire their properties for use as a waste water spray field. As of the report date, the outcome is uncertain and the cost to the school district cannot be estimated.

REQUIRED SUPPLEMENTARY INFORMATION

**JONES COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013**

SCHEDULE 1a

	<u>Budgeted Amounts</u>		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local Sources	\$ 14,521,185	\$ 13,895,623	\$ 14,763,354	\$ (625,562)	\$ 867,731
State Sources	36,313,476	36,231,986	36,231,986	(81,490)	-
Federal Sources	477,776	317,459	317,459	(160,317)	-
Total Revenues	<u>51,312,437</u>	<u>50,445,068</u>	<u>51,312,799</u>	<u>(867,369)</u>	<u>867,731</u>
Expenditures:					
Instruction	33,709,424	32,773,793	34,222,248	935,631	(1,448,455)
Support Services	17,042,681	17,150,267	17,044,584	(107,586)	105,683
Facilities Acquisition & Construction	260,000	484,499	482,185	(224,499)	2,314
Debt Service	1,702,128	667,866	953,419	1,034,262	(285,553)
Total Expenditures	<u>52,714,233</u>	<u>51,076,425</u>	<u>52,702,436</u>	<u>1,637,808</u>	<u>(1,626,011)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,401,796)</u>	<u>(631,357)</u>	<u>(1,389,637)</u>	<u>770,439</u>	<u>(758,280)</u>
Other Financing Sources (Uses):					
Insurance Recovery	10,000	7,712	7,712	(2,288)	-
Sale of other property	8,000	200	200	(7,800)	-
Operating Transfers In	7,445,144	6,564,007	1,708,976	(881,137)	(4,855,031)
Operating Transfers Out	(7,476,045)	(7,758,449)	(2,896,629)	(282,404)	4,861,820
Total Other Financing Sources (Uses)	<u>(12,901)</u>	<u>(1,186,530)</u>	<u>(1,179,741)</u>	<u>(1,173,629)</u>	<u>6,789</u>
Net Change in Fund Balance	<u>(1,414,697)</u>	<u>(1,817,887)</u>	<u>(2,569,378)</u>	<u>(403,190)</u>	<u>(751,491)</u>
Fund Balances:					
July 1, 2012, as previously reported	3,630,000	6,986,167	1,222,101	3,356,167	(5,764,066)
Prior period adjustment	-	322,166	3,673,496	322,166	3,351,330
July 1, 2012, as restated	<u>3,630,000</u>	<u>7,308,333</u>	<u>4,895,597</u>	<u>3,678,333</u>	<u>(2,412,736)</u>
Increase (decrease) in reserve for inventory	-	-	(857)	-	(857)
June 30, 2013	<u>\$ 2,215,303</u>	<u>\$ 5,490,446</u>	<u>\$ 2,325,362</u>	<u>\$ 3,275,143</u>	<u>\$ (3,165,084)</u>

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

JONES COUNTY CHOOOL DISTRICT

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

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTARY INFORMATION

**Jones County School District
Schedule of Expenditures of Federal Awards By Grant
For the Year Ended June 30, 2013**

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures (\$)</i>
<u>U.S. Department of Agriculture</u>		
<i>Passed-through Mississippi Department of Education:</i>		
<i>Child Nutrition Cluster</i>		
National School Lunch Program	10.555	\$2,382,644
School Breakfast Program	10.553	708,890
<i>Total Child Nutrition Cluster</i>		<u>3,091,534</u>
Donated Commodities	10.550	234,435
<i>Total Pass-through Mississippi Department of Education</i>		<u>3,325,969</u>
<i>Total U.S. Department of Agriculture</i>		<u>3,325,969</u>
<u>U.S. Department of Education</u>		
<i>Passed-through Mississippi Department of Education:</i>		
<i>Special Education Cluster (IDEA)</i>		
Special Education Grants to States	84.027	1,587,336
Special Education Preschool Grants	84.173	68,759
<i>Total Special Education Cluster (IDEA)</i>		<u>1,656,095</u>
Teacher Incentive Fund	84.374	179,941
Title I Grants to Local Educational Agencies	84.010	2,034,995
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	22,430
Adult Education - Basic Grants to States	84.002	68,329
Career and Technical Education -- Basic Grants to States	84.048	83,408
English Language Acquisition State Grants	84.365	58,664
Improving Teacher Quality State Grants	84.367	438,624
Rural Education	84.358	157,465
<i>Total Passed-through Mississippi Department of Education</i>		<u>4,749,951</u>
<i>Total U.S. Department of Education</i>		<u>4,749,951</u>
<u>Federal Communication Commission</u>		
Administered through the Universal Service Administrative Company: Schools and Libraries program of the Universal Service Fund	33.001	143,994
<i>Total Federal Communication Commission</i>		<u>143,994</u>

**Jones County School District
 Schedule of Expenditures of Federal Awards By Grant
 For the Year Ended June 30, 2013**

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures (\$)</i>
<i><u>U.S. Department of Health and Human Services</u></i>		
Medical Assistance Program	93.778	55,051
Total U.S. Department of Health and Human Services		55,051
Total Expenditures of Federal Awards		\$8,274,965

Notes to the Schedule

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

JONES SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE, AND OTHER EXPENDITURES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

<u>Expenditures</u>	<u>Total</u>	<u>Instruction</u>	<u>General Administrative</u>	<u>School Administrative</u>	<u>Other</u>
Salaries and fringe benefits	\$ 52,322,762	\$ 40,874,512	\$ 1,289,836	\$ 3,545,270	\$ 6,613,144
Other	<u>18,477,789</u>	<u>3,675,592</u>	<u>525,649</u>	<u>208,646</u>	<u>14,067,902</u>
Total	<u>\$ 70,800,551</u>	<u>\$ 44,550,104</u>	<u>\$ 1,815,485</u>	<u>\$ 3,753,916</u>	<u>\$ 20,681,046</u>
 Total number of students *	 7,963				
Cost per student	\$ 8,891	\$ 5,595	\$ 228	\$ 471	\$ 2,597

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

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

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

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

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

OTHER INFORMATION

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

"UNAUDITED"

	<u>2013</u>	<u>2012*</u>	<u>2011*</u>	<u>2010*</u>
Revenues:				
Local Sources	\$ 14,763,354	\$ 15,015,940	\$ 14,749,211	\$ 14,878,368
State Sources	36,231,986	37,436,450	34,944,963	34,891,974
Federal Sources	<u>317,459</u>	<u>770,171</u>	<u>312,967</u>	<u>125,968</u>
Total Revenues	<u>51,312,799</u>	<u>53,222,561</u>	<u>50,007,141</u>	<u>49,896,310</u>
Expenditures				
Instruction	34,222,248	33,574,835	27,308,843	30,691,215
Support Services	17,044,584	20,098,533	16,771,030	17,077,632
Noninstructional Services	-	-	519,986	-
Facilities Acquisition & Construction	482,185	190,343	100,339	-
Debt Service:				
Principal	574,888	-	-	345,000
Interest	<u>378,531</u>	<u>315,605</u>	<u>330,067</u>	<u>129</u>
Total Expenditures	<u>52,702,436</u>	<u>54,179,316</u>	<u>45,030,265</u>	<u>48,113,976</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(1,389,637)</u>	<u>(956,755)</u>	<u>4,976,876</u>	<u>1,782,334</u>
OTHER FINANCING SOURCES (USES)				
Bonds and Notes Issued	-	-	-	310,115
Insurance Recovery	7,712	22,846	80,324	81,796
Sale of Other Property	200	95,928	-	-
Operating Transfers In	1,708,976	3,011,762	1,032,832	1,628,487
Operating Transfers Out	<u>(2,896,629)</u>	<u>(4,987,905)</u>	<u>(5,357,506)</u>	<u>(4,952,168)</u>
Total Other Financing Sources (Uses)	<u>(1,179,741)</u>	<u>(1,857,369)</u>	<u>(4,244,350)</u>	<u>(2,931,770)</u>
NET CHANGE IN FUND BALANCES	<u>(2,569,378)</u>	<u>(2,814,124)</u>	<u>732,526</u>	<u>(1,149,436)</u>
FUND BALANCES:				
Beginning of period, as originally reported	1,222,101	4,036,654	3,312,585	4,453,928
Prior period adjustment	<u>3,673,496</u>	-	-	-
Beginning of period, as restated	<u>4,895,597</u>	<u>4,036,654</u>	<u>3,312,585</u>	<u>4,453,928</u>
Increase (Decrease) in Reserve for Inventory	<u>(857)</u>	<u>(429)</u>	<u>(8,457)</u>	<u>8,093</u>
End of Period	<u>\$ 2,325,362</u>	<u>\$ 1,222,101</u>	<u>\$ 4,036,654</u>	<u>\$ 3,312,585</u>

* SOURCE - PRIOR YEAR AUDIT REPORTS

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

"UNAUDITED"

	<u>2013</u>	<u>2012*</u>	<u>2011*</u>	<u>2010*</u>
Revenues:				
Local Sources	\$ 19,218,308	\$ 16,959,371	\$ 16,808,851	\$ 17,492,654
State Sources	38,703,446	39,917,735	37,449,575	37,286,939
Federal Sources	8,440,514	9,237,817	13,571,310	12,276,794
Sixteenth Section Sources	<u>2,298,652</u>	<u>1,793,896</u>	<u>1,375,528</u>	<u>2,291,400</u>
Total Revenues	<u>68,660,920</u>	<u>67,908,819</u>	<u>69,205,264</u>	<u>69,347,787</u>
Expenditures				
Instruction	40,032,263	40,378,142	38,294,060	39,987,374
Support Services	19,310,290	22,109,374	18,986,886	19,850,467
Noninstructional Services	3,984,524	4,066,887	4,218,174	3,794,133
Sixteenth Section	765,671	968,244	81,591	502,335
Facilities Acquisition & Construction	482,185	317,534	311,489	334,631
Debt Service:				
Principal	4,066,044	3,327,457	2,876,889	2,563,635
Interest	2,153,384	2,028,311	2,248,752	2,439,643
Other	<u>6,190</u>	<u>-</u>	<u>40,834</u>	<u>6,154</u>
Total Expenditures	<u>70,800,551</u>	<u>73,195,949</u>	<u>67,058,675</u>	<u>69,478,372</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(2,139,631)</u>	<u>(5,287,130)</u>	<u>2,146,589</u>	<u>(130,585)</u>
Other Financing Sources (Uses)				
Bonds and Notes Issued	-	-	650,289	310,115
Insurance Recovery	7,712	22,846	80,324	82,438
Sale of Other Property	87,581	95,928	-	-
Operating Transfers In	4,605,605	7,999,666	6,390,338	6,580,664
Operating Transfers Out	<u>(4,605,605)</u>	<u>(7,999,666)</u>	<u>(6,390,338)</u>	<u>(6,580,664)</u>
Total Other Financing Sources (Uses)	<u>95,293</u>	<u>118,774</u>	<u>730,613</u>	<u>392,553</u>
Net Change in Fund Balance	<u>(2,044,338)</u>	<u>(5,168,356)</u>	<u>2,877,202</u>	<u>261,968</u>
Fund Balances:				
Beginning of period, as originally reported	19,179,237	24,346,145	21,476,502	21,191,838
Prior period adjustment	<u>4,041,275</u>	<u>-</u>	<u>-</u>	<u>-</u>
Beginning of period, as restated	<u>23,220,512</u>	<u>24,346,145</u>	<u>21,476,502</u>	<u>21,191,838</u>
Increase (Decrease) in Reserve for Inventory	<u>33,701</u>	<u>1,448</u>	<u>(7,559)</u>	<u>22,696</u>
End of Period	<u>\$ 21,209,875</u>	<u>\$ 19,179,237</u>	<u>\$ 24,346,145</u>	<u>\$ 21,476,502</u>

* SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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

Superintendent and School Board
Jones County School District

We have audited, 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 Jones County School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Jones County School District's basic financial statements, and have issued our report thereon dated April 28, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Jones County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jones County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Jones County 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. (2013-1, 2013-2, 2013-3, 2013-4, 2013-5, 2013-6, 2013-7)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jones 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2013-1 and 2013-2.

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Jones County School District's Response to Findings

Jones County School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Jones County School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on it.

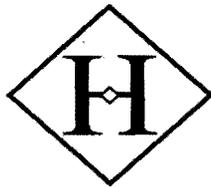
Purpose of this Report

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.

Holt & Associates, PLLC

Laurel, MS

April 28, 2015



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Superintendent and School Board
Jones County School District

Report on Compliance for Each Major Federal Program

We have audited Jones County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Jones County School District's major federal programs for the year ended June 30, 2013. Jones County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Jones 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 Jones County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Jones 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 Jones 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 Jones 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 Jones County School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-8 to be a significant deficiency.

Jones County School District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Jones County School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our 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.

Holt & Associates, PLLC

Laurel, MS

April 28, 2015

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



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

Superintendent and School Board
Jones County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jones County School District as of and for the year ended June 30, 2013, which collectively comprise Jones School District's basic financial statements and have issued our report thereon dated April 28, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$14,006 of classroom supply funds carried over from previous years.

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the instances of noncompliance described in Finding 2013-1 and 2013-2 in the Schedule of Findings and Questioned Costs and the following immaterial instances of noncompliance with other state laws and regulations. Our immaterial findings and recommendations and your responses are as follows:

Finding #1: Code Section 37-61-21, Miss. Code Ann. (1972) states that the final budget revisions, pertinent to a fiscal year, shall be approved on or before October 15th of each year. The District failed to amend its 2013 year end budget by the required October 15th deadline.

Recommendation: : We recommend that the school district be in compliance with Miss. Code Ann. (1972), Section 37-61-21.

Response: The District implemented a procedure for amending the fiscal year budget and for school board approval before the October 15th deadline. The procedure was followed in Fiscal Year 2014, eliminating this error from reoccurring.

Finding #2: Code Section 37-59-43, Miss. Code Ann. (1972) states that interest earned in excess of \$100 per fund is credit to the investing fund. During our audit, we found that the school district did not allocate any interest to any funds.

Recommendation: We recommend that the school district be in compliance with Miss. Code Ann. (1972), Section 37-59-43.

Response: The District compiled an annual interest allocation worksheet to eliminate this finding for Fiscal Year 2014. This worksheet allocates the interest earned by fund on a monthly basis, totaling the interest earned by fund for the year.

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

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

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies, 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.

Holt & Associates, PLLC

April 28, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JONES 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: | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | Yes |
| b. Significant deficiency(ies) identified? | No |
| 3. Noncompliance material to financial statements noted? | Yes |

Federal Awards:

- | | |
|---|-------------|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified? | Yes |
| 5. Type of auditor's report issued on compliance for major programs: | Unqualified |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | Yes |

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies
84.367	Improving Teacher Quality State Grants
Special Education Cluster:	
84.027	Special Education-Grants to States
84.173	Special Education –Preschool Grants

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

JONES COUNTY SCHOOL DISTRICT

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

Section II: Financial Statement Findings

Material Weakness and Material Non-Compliance:

Finding 2013-1:

Section 37-61-21(2), Miss. Code Ann. (1972), states that the school district have the year-end financial statements available for audit on or before October 15. Also, the code states that no additional changes may be made to the financial statements after October 15 of each year. During our audit, the school district made us aware that the financial statements were available on October 15, 2013, but material adjustments were made after the report was filed.

Recommendation: We recommend that the school district be in compliance with Miss. Code Ann. (1972) Section 37-61-27(2).

Finding 2013-2:

Section 29-3-113, Miss. Code Ann. (1972), states that borrowed 16th Section Principal Funds should be repaid in a timely manner back to the affected fund(s). It was noted that inter-fund loans were set up to show transactions between the District Maintenance fund (borrower) and 16th Section Principal Funds (lender). Instead of showing cash being transacted during the annual payments made in June of each year, the principal amount due was set up in an inter-fund loan with no transaction showing where cash was moved.

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

Material Weakness:

Finding 2013-3:

Cash accounts were not properly or timely reconciled to the bank causing cash balances to be misstated.

Recommendation: The school district should establish proper internal control procedures to make sure that all bank accounts are reconciled properly and on a timely basis.

Finding 2013-4:

Inter-fund loans were not reconciled between the funds on a timely basis and before the FETS report was submitted. However, as of the report date, the school district reconciled all inter-fund loans. Also, several inter-fund loans were not approved in the board minutes.

Recommendation: The school district should establish proper internal control procedures to make sure that all inter-fund loans are properly made and approved by the school board.

Finding 2013-5:

Individual schools are not following proper procedures to account for receipts of their respective activity funds. The forms required through the school district's policies are not being completed accurately and deposits are not being made in a timely manner.

JONES COUNTY SCHOOL DISTRICT

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

Recommendation: The school district administration should meet with all principals, secretaries, and teachers to train them on the school district's policies for activity funds and ensure that all personnel are following procedures.

Finding 2013-6:

Bank accounts were opened using the school district's tax identification number without board approval.

Recommendation: The school district should make all school personnel aware that bank accounts cannot be opened using the school district's tax identification number and name without board approval.

Finding 2013-7:

Capital expenditures are not being added to the depreciation schedule and maintained accurately.

Recommendation: The school district should develop procedures to ensure that all capital expenditures are timely added to the depreciation schedule for accurate computing of depreciation.

Section III: Federal Award Findings and Questioned Costs

Finding 2013-8:

Federal Program: Title I Grants to Local Educational Agencies

Condition: The school district does not have accounting code structures in place to delineate programs funds by year.

Criteria: The school district is required to establish a tracking system within its accounting software that will delineate between all federal programs' funds by program year.

Cause: Accounting codes were not set up and used to track the funds by year.

Effect: Carryover funds could not be tracked.

Recommendation: The school district should use the accounting software to establish an accounting code structure that will delineate program funds by year.

AUDITEE'S CORRECTIVE ACTION PLAN
AND / OR
SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS

JONES COUNTY SCHOOL DISTRICT
5204 Highway 11 North
Ellisville, MS 39437
Tommy Parker – Superintendent of Education

AUDITEE'S CORRECTION ACTION PLAN

As required by Section _____.315(b) of OMB Circular A-133, the Jones County School District has prepared and hereby submits the following correction action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2013:

Findings

Corrective Action Plan Details

2013-1

a. Name of Contact Person Responsible for Corrective Action Plan

Name: Sarah Sumrall

Title: Business Manager

Phone Number: 601-649-5201

b. Correction Action Planned

The District has implemented procedures to establish more efficient internal controls which will ensure strong financial accountability and accurate accounting records. These procedures shall also eliminate the ability to post adjustment to a fiscal year, in which has been closed and submitted to FETS.

c. Anticipated Completion Date

These procedures were put into place in June of 2013, for Fiscal Year 2014.

2013-2

a. Name of Contact Person Responsible for Corrective Action Plan

Name: Sarah Sumrall

Title: Business Manager

Phone Number: 601-649-5201

b. Correction Action Planned

The District compiled an interfund loan report, as one step to eliminate this occurrence from reappearing in future fiscal years. A debt schedule worksheet was created during the budgeting process to ensure the proper budgeting of debt payments and their proper accounting codes for the payment. A subsidiary ledger for interfund loans, along with a schedule of debt payments processed, will be maintained and reported to the school board on a quarterly basis. All 16th Section Principal Transactions (borrowings or annual payments) shall be school board approved before the transaction is made. All 16th Section Principal Payments shall be posted to the general ledger and transferred from the general fund bank account to the 16th Section Principal bank account within a timely manner.

JONES COUNTY SCHOOL DISTRICT
5204 Highway 11 North
Ellisville, MS 39437
Tommy Parker – Superintendent of Education

c. Anticipated Completion Date

All 16th Section Principal Payments were made current (within the general ledger and the bank accounts) as of June 30, 2014.

2013-3

a. Name of Contact Person Responsible for Corrective Action Plan

Name: Sarah Sumrall

Title: Business Manager

Phone Number: 601-649-5201

b. Correction Action Planned

The District aligned the cash accounts that were previously being used to reconcile the bank cash balances. This alignment compressed the cash accounts for a more manageable monthly reconciliation process. The alignment of these cash accounts also ensures the accuracy of the fund balance and understanding for reporting purposes.

c. Anticipated Completion Date

June 30, 2013

2013-4

a. Name of Contact Person Responsible for Corrective Action Plan

Name: Sarah Sumrall

Title: Business Manager

Phone Number: 601-649-5201

b. Correction Action Planned

The District compiled an interfund loan report for balancing these loans annually and before FETS submission. The interfund loan report eliminates this occurrence from reappearing in future fiscal years. All interfund loans, when required, shall be school board approved before being made.

c. Anticipated Completion Date

June 30, 2013

2013-5

a. Name of Contact Person Responsible for Corrective Action Plan

Name: Sarah Sumrall

Title: Business Manager

Phone Number: 601-649-5201

JONES COUNTY SCHOOL DISTRICT
5204 Highway 11 North
Ellisville, MS 39437
Tommy Parker – Superintendent of Education

b. Correction Action Planned

The District's Business Office will clarify to the school principals and bookkeepers the proper procedures for completing all activity account forms. Also, the timeliness for deposits will be discussed with the principals and bookkeepers. The Business Office will also implement random audits of these activity accounts at the school level to ensure that the proper procedure is being followed.

c. Anticipated Completion Date

This procedure will be clarified during Fiscal Year 2015 and random school level audits will begin in Fiscal Year 2016.

2013-6

a. Name of Contact Person Responsible for Corrective Action Plan

Name: Sarah Sumrall

Title: Business Manager

Phone Number: 601-649-5201

b. Correction Action Planned

The District's Business Office will work with the financial institutions where these accounts are open to get the district's tax identification number removed from the account or either close the account.

c. Anticipated Completion Date

June 30, 2015

2013-7

a. Name of Contact Person Responsible for Corrective Action Plan

Name: Sarah Sumrall

Title: Business Manager

Phone Number: 601-649-5201

b. Correction Action Planned

The District will implement procedures to ensure that capital assets are depreciated and recorded properly. Depreciation schedules will be maintained annually for accuracy.

c. Anticipated Completion Date

June 30, 2015

JONES COUNTY SCHOOL DISTRICT
5204 Highway 11 North
Ellisville, MS 39437
Tommy Parker – Superintendent of Education

2013-8

a. Name of Contact Person Responsible for Corrective Action Plan

Name: Sarah Sumrall

Title: Business Manager

Phone Number: 601-649-5201

b. Correction Action Planned

The District established program codes for each Federal Program funding year in which funds were being expended during Fiscal Year 2014. This program code is indicated in the Innovak software system as the funding year in which the Federal Program was approved.

c. Anticipated Completion Date

June 30, 2014

JONES COUNTY SCHOOL DISTRICT
5204 Highway 11 North
Ellisville, MS 39437
Tommy Parker – Superintendent of Education

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

As required by Section ____315(b) of OMB Circular A-133, the Jones County School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2013:

<u>Finding:</u>	<u>Status:</u>
2012-2	Corrected
2012-3	Corrected