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JEFFERSON DAVIS COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2013

Charles L. Shivers, CPA
Ridgeland, MS

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INDEPENDENT AUDITOR'S REPORT

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CHARLES L. SHIVERS

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Jefferson Davis County School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jefferson Davis County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, as required by the Mississippi State Auditor's Office, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, as required by the Mississippi Department of Education, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated January 27, 2014, on my consideration of the Jefferson Davis County School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jefferson Davis County School District's internal control over financial reporting and compliance.

Charles L Shivers, CPA

Ridgeland, MS
January 27, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following discussion and analysis of Jefferson Davis 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 \$1,308,088, which represents a 3% increase from fiscal year 2012. Total net position for 2012 increased \$828,539, including a prior period adjustment of \$18,043, which represents a 2% increase from fiscal year 2011.
- General revenues amounted to \$13,579,791 and \$13,408,708, or 76% and 75% 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 \$4,273,287, or 24% of total revenues for 2013, and \$4,562,995, or 25% of total revenues for 2012.
- The District had \$16,544,990 and \$17,161,207 in expenses for fiscal years 2013 and 2012; only \$4,273,287 for 2013 and \$4,562,995 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$13,579,791 for 2013 and \$13,408,708 for 2012 were adequate to provide for these programs.
- Among major funds, the General Fund had \$11,436,901 in revenues and \$11,435,199 in expenditures for 2013, and \$10,946,435 in revenues and \$11,521,325 in expenditures in 2012. The General Fund's fund balance increased by \$478,479 from 2012 to 2013, and increased by \$2,263,758, including a prior period adjustment of \$19,105, from 2011 to 2012.
- Capital assets, net of accumulated depreciation, decreased by \$242,757 for 2013 and increased by \$136,845 for 2012. The decrease for 2013 was due primarily to the increase in accumulated depreciation.
- Long-term debt decreased by \$756,949 for 2013 and increased by \$82,868 for 2012. The decrease for 2013 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$318 for 2013 and increased by \$30,845 for 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$40,519,914 as of June 30, 2013.

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

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

Table 1
Condensed Statement of Net Position

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Current assets	\$ 8,023,711	\$ 7,548,494	6.30 %
Restricted assets	27,040,542	26,695,737	1.29 %
Capital assets, net	8,532,692	8,775,449	(2.77) %
Total assets	43,596,945	43,019,680	1.34 %
Current liabilities	133,646	107,520	24.30 %
Long-term debt outstanding	2,943,385	3,700,334	(20.46) %
Total liabilities	3,077,031	3,807,854	(19.19) %
Net position:			
Net investment in capital assets	5,675,692	5,196,449	9.22 %
Restricted	27,177,063	26,582,032	2.24 %
Unrestricted	7,667,159	7,433,345	3.15 %
Total net position	\$ 40,519,914	\$ 39,211,826	3.34 %

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 \$242,757.
- The principal retirement of \$757,267 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 \$17,853,078 and \$17,971,703, respectively. The total cost of all programs and services was \$16,544,990 for 2013 and \$17,161,207 for 2012.

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

Table 2
Changes in Net Position

	Year Ended June 30, 2013	Year Ended June 30, 2012	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 465,582	\$ 386,090	20.59 %
Operating grants and contributions	3,807,705	4,176,905	(8.84) %
General revenues:			
Property taxes	3,824,063	3,340,210	14.49 %
Grants and contributions not restricted	8,124,684	8,159,043	(0.42) %
Investment earnings	50,376	186,978	(73.06) %
Sixteenth section sources	1,433,897	1,507,005	(4.85) %
Other	146,771	215,472	(31.88) %
Total revenues	17,853,078	17,971,703	(0.66) %
Expenses:			
Instruction	8,267,496	8,109,806	1.94 %
Support services	6,778,584	7,531,538	(10.00) %
Non-instructional	1,153,473	1,155,877	(0.21) %
Sixteenth section	242,216	208,532	16.15 %
Interest on long-term liabilities	103,221	155,454	(33.60) %
Total expenses	16,544,990	17,161,207	(3.59) %
Increase (Decrease) in net position	1,308,088	810,496	61.39 %
Net Position, July 1, as previously reported	39,211,826	38,383,287	2.16 %
Prior Period Adjustment	0	18,043	(100.00) %
Net Position, July 1, as restated	39,211,826	38,401,330	2.11 %
Net Position, June 30	\$ 40,519,914	\$ 39,211,826	3.34 %

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2013	2012	
Instruction	\$ 8,267,496	\$ 8,109,806	1.94 %
Support services	6,778,584	7,531,538	(10.00) %
Non-instructional	1,153,473	1,155,877	(0.21) %
Sixteenth section	242,216	208,532	16.15 %
Interest on long-term liabilities	103,221	155,454	(33.60) %
Total expenses	\$ 16,544,990	\$ 17,161,207	(3.59) %

	Net (Expense) Revenue		Percentage Change
	2013	2012	
Instruction	\$ (6,754,619)	\$ (6,416,545)	5.27 %
Support services	(5,340,779)	(5,969,129)	(10.53) %
Non-instructional	95,889	95,297	0.62 %
Sixteenth section	(168,973)	(152,381)	10.89 %
Interest on long-term liabilities	(103,221)	(155,454)	(33.60) %
Total net (expense) revenue	\$ (12,271,703)	\$ (12,598,212)	(2.59) %

- Net cost of governmental activities (\$12,271,703 for 2013 and \$12,598,212 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$3,824,063 for 2013 and \$3,340,210 for 2012) and state and federal revenues (\$8,124,684 for 2013 and \$8,159,043 for 2012). In addition, there was \$1,433,897 and \$1,507,005 in Sixteenth Section sources for 2013 and 2012, respectively.
- Investment earnings amounted to \$50,376 for 2013 and \$186,978 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 \$34,966,870, an increase of \$784,050, which includes an increase in inventory of \$5,538. \$7,399,038, or 21%, of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$27,567,832, or 79%, is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$478,479. The fund balance of Other Governmental Funds showed a decrease in the amount of \$400,432, which includes an increase in inventory of \$5,538. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title I Part A Fund	no increase or decrease
EHA Part B Fund	no increase or decrease
T9 R19 S16 Principal Fund	\$ 73,550
T5 R19 S16 Principal Fund	\$ (129,804)
16th Section Non-shared Principal Fund	\$ 762,257

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2013, the District's total capital assets were \$15,437,399, including land, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$191,273 from 2012 due primarily to the purchase of two new school buses and various items of furniture and equipment.

Total accumulated depreciation as of June 30, 2013, was \$6,904,707, and total depreciation expense for the year was \$473,313, resulting in total net capital assets of \$8,532,692.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2013	June 30, 2012	Percentage Change
Land	\$ 46,600	\$ 46,600	0.00 %
Buildings	6,297,589	6,458,738	(2.50) %
Building improvements	646,937	690,696	(6.34) %
Improvements other than buildings	159,453	170,917	(6.71) %
Mobile equipment	1,274,379	1,273,976	0.03 %
Furniture and equipment	107,734	134,522	(19.91) %
Total	\$ 8,532,692	\$ 8,775,449	(2.77) %

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

Debt Administration. At June 30, 2013, the District had \$2,943,385 in outstanding long-term debt, of which \$574,319 is due within one year. During the fiscal year, the District made principal payments totaling \$757,267 on outstanding long-term debt. The liability for compensated absences increased \$318 from the prior year.

Table 5
Outstanding Long-Term Debt

	June 30, 2013	June 30, 2012	Percentage Change
Limited obligation refunding bonds payable	\$ 2,057,000	\$ 2,352,000	(12.54) %
Certificates of participation refunding payable	392,000	454,000	(13.66) %
Three mill notes payable	408,000	773,000	(47.22) %
Shortfall notes payable	0	10,371	(100.00) %
Obligations under energy efficiency leases	0	24,896	(100.00) %
Compensated absences payable	86,385	86,067	0.37 %
Total	\$ 2,943,385	\$ 3,700,334	(20.46) %

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

CURRENT ISSUES

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

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

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

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent’s Office of the Jefferson Davis County School District, P. O. Box 1197, Prentiss, MS 39474.

BASIC FINANCIAL STATEMENTS

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JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2013

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 7,294,534
Due from other governments	693,417
Accrued interest receivable	114
Other receivables, net	207
Inventories	35,439
Restricted assets (Note 4)	27,040,542
Non-depreciable capital assets (Note 5)	46,600
Depreciable capital assets, net (Note 5)	8,486,092
Total Assets	<u>43,596,945</u>
Liabilities	
Accounts payable and accrued liabilities	97,383
Interest payable on long-term liabilities	36,263
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	570,000
Non-capital related liabilities	4,319
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	2,287,000
Non-capital related liabilities	82,066
Total Liabilities	<u>3,077,031</u>
Net Position	
Net investment in capital assets	5,675,692
Restricted net position	
Expendable	
School-based activities	429,701
Debt service	371,026
Contractual commitments	
Forestry improvements	167,840
Unemployment benefits	41,470
Non-expendable	
Sixteenth section	26,167,026
Unrestricted	<u>7,667,159</u>
Total Net Position	<u>\$ 40,519,914</u>

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

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT

Balance Sheet - Governmental Funds

June 30, 2013

Exhibit C

	Major Funds						Total Governmental Funds	
	General Fund	Title I Part A Fund	EHA Part B Fund	T9 R19 S16 Principal Fund	T5 R19 S16 Principal Fund	16th Section Non-shared Principal Fund		Other Governmental Funds
Assets								
Cash and cash equivalents (Note 2)	\$ 7,294,534			2,738,214	2,179,565	16,000,151	802,749	29,015,213
Cash with fiscal agent (Note 2)					413,280		172,632	585,912
Investments (Note 2)				850,000	3,874,165	9,786		4,733,951
Due from other governments	192,969	151,777	62,900				285,771	693,417
Accrued interest receivable					61	53		114
Other receivables, net					131	76		207
Due from other funds (Note 3)	281,240						6,174	287,414
Advances to other funds (Note 3)					25,000			25,000
Inventories							35,439	35,439
Total Assets	7,768,743	151,777	62,900	3,588,214	6,492,202	16,010,066	1,302,765	35,376,667
Liabilities and Fund Balances								
Liabilities								
Accounts payable & accrued liabilities	74,108	11					23,264	97,383
Due to other funds (Note 3)		151,766	62,900				72,748	287,414
Advances from other funds (Note 3)	25,000							25,000
Total Liabilities	99,108	151,777	62,900	0	0	0	96,012	409,797
Fund Balances								
Nonspendable								
Inventory							35,439	35,439
Permanent fund principal				3,581,484	6,430,013	15,970,476	160,053	26,142,026
Advances					25,000			25,000
Restricted								
Debt service							407,289	407,289
Forestry improvements							167,840	167,840
Unemployment benefits							41,470	41,470
Grant activities							394,262	394,262
Assigned								
Repairs and Maintenance	146,565							146,565
School activities	124,032							124,032
Other purposes				6,730	37,189	39,590	400	83,909
Unassigned	7,399,038							7,399,038
Total Fund Balances	7,669,635	0	0	3,588,214	6,492,202	16,010,066	1,206,753	34,966,870
Total Liabilities and Fund Balances	\$ 7,768,743	151,777	62,900	3,588,214	6,492,202	16,010,066	1,302,765	35,376,667

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

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2013

Exhibit C-1

Amount

Total Fund Balance - Governmental Funds

\$ 34,966,870

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

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

Land	46,600	
Buildings	9,606,308	
Building Improvements	1,297,341	
Improvement other than buildings	286,618	
Mobile equipment	2,918,682	
Furniture and equipment	1,281,850	
Accumulated depreciation	<u>(6,904,707)</u>	8,532,692

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

Limited obligation bonds	(2,057,000)	
Three mill note payable	(408,000)	
Certificates of participation	(392,000)	
Compensated absences	(86,385)	
Accrued interest payable	<u>(36,263)</u>	<u>(2,979,648)</u>

Total Net Position - Governmental Activities

\$ 40,519,914

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

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

Exhibit D

	Major Funds						16th Section Non-shared Principal Fund	Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Part A Fund	EHA Part B Fund	T9 R19 S16 Principal Fund	T5 R19 S16 Principal Fund	16th Section Non-shared Principal Fund			
Revenues									
Local sources	\$ 3,885,678						426,541	4,312,219	
State sources	6,824,446		164				1,845,842	8,670,452	
Federal sources	191,928	1,123,717	515,873				1,430,419	3,261,937	
Sixteenth section sources	534,849			92,871	51,290	800,493	62,656	1,542,159	
Total Revenues	<u>11,436,901</u>	<u>1,123,717</u>	<u>516,037</u>	<u>92,871</u>	<u>51,290</u>	<u>800,493</u>	<u>3,765,458</u>	<u>17,786,767</u>	
Expenditures									
Instruction	6,340,984	379,613	111,494				1,241,499	8,073,590	
Support services	4,957,035	493,868	371,029				946,285	6,768,217	
Noninstructional services	3,809	76,156	1,101				1,039,143	1,120,209	
Sixteenth section	105,851			12,736	62,748		60,881	242,216	
Debt service									
Principal (Note 6)	24,896						732,371	757,267	
Interest	2,624						109,193	111,817	
Other							1,250	1,250	
Total Expenditures	<u>11,435,199</u>	<u>949,637</u>	<u>483,624</u>	<u>12,736</u>	<u>62,748</u>	<u>0</u>	<u>4,130,622</u>	<u>17,074,566</u>	
Excess (Deficiency) of Revenues Over Expenditures	<u>1,702</u>	<u>174,080</u>	<u>32,413</u>	<u>80,135</u>	<u>(11,458)</u>	<u>800,493</u>	<u>(365,164)</u>	<u>712,201</u>	
Other Financing Sources (Uses)									
Insurances loss recoveries	66,311							66,311	
Operating transfers in (Note 3)	432,908						209,073	641,981	
Operating transfers out (Note 3)	(22,442)	(174,080)	(32,413)	(6,585)	(118,346)	(38,236)	(249,879)	(641,981)	
Total Other Financing Sources (Uses)	<u>476,777</u>	<u>(174,080)</u>	<u>(32,413)</u>	<u>(6,585)</u>	<u>(118,346)</u>	<u>(38,236)</u>	<u>(40,806)</u>	<u>66,311</u>	
Net Change in Fund Balances	<u>478,479</u>	<u>0</u>	<u>0</u>	<u>73,550</u>	<u>(129,804)</u>	<u>762,257</u>	<u>(405,970)</u>	<u>778,512</u>	
Fund Balances									
July 1, 2012	7,191,156	0	0	3,514,664	6,622,006	15,247,809	1,607,185	34,182,820	
Increase in reserve for inventory	0	0	0	0	0	0	5,538	5,538	
June 30, 2013	<u>\$ 7,669,635</u>	<u>0</u>	<u>0</u>	<u>3,588,214</u>	<u>6,492,202</u>	<u>16,010,066</u>	<u>1,206,753</u>	<u>34,966,870</u>	

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

JEFFERSON DAVIS 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

Amount

Net Change in Fund Balance - Governmental Funds

\$ 778,512

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

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, those amounts are:

Capital outlay	230,953	
Depreciation expense	<u>(473,313)</u>	(242,360)

In the Statement of Activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold.

(397)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance cost, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Payments of debt principal	757,267	
Accrued interest payable	<u>9,846</u>	767,113

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

Change in compensated absences	(318)	
Change in inventory reserve	<u>5,538</u>	<u>5,220</u>

Changes in Net Position of Governmental Activities

\$ 1,308,088

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

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

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents (Note 2)	<u>\$ 506,174</u>
Total Assets	<u>506,174</u>
Liabilities	
Accounts payable and accrued liabilities	465,374
Due to student clubs	<u>40,800</u>
Total Liabilities	<u>\$ 506,174</u>

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

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

Blended component unit

The Jefferson Davis County Leasing Authority ("the Authority") as explained in the following paragraph is considered to be a blended component unit as determined by Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* and is included in the district's reporting entity.

The Authority is governed by a five member board which is appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, fund balances, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see Note 11).

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.

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

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

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

The school district reports the following major governmental funds:

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

Title I Part A Fund - This special revenue fund is financed with federal funds and is used to account for the activities associated with educationally deprived children.

EHA Part B Fund - This special revenue fund is financed with federal funds and is used to account for the activities associated with special education services.

T9 R19 S16 Principal Fund - This is a permanent fund used to account for resources from sixteenth section trust lands that are legally restricted to the extent that only earnings, and not the principal, may be used for purposes that supports the district's programs.

T5 R19 S16 Principal Fund - This is a permanent fund used to account for resources from sixteenth section trust lands that are legally restricted to the extent that only earnings, and not the principal, may be used for purposes that supports the district's programs.

16th Section Principal Fund Non-shared - This is a permanent fund used to account for resources from sixteenth section trust lands that are legally restricted to the extent that only earnings, and not the principal, may be used for purposes that supports the district's programs.

The District's fiduciary funds include the following:

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

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

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

FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

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 fund balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

Position because their use is limited by applicable debt statutes. Also, the nonexpendable portion of the Permanent Fund is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

8. Compensated Absences

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

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

9. Long-term Liabilities

In the government-wide financial statements, outstanding debt is reported as liabilities.

10. Fund Balances

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

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

amounts in those funds can be spent.

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

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

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

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

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

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

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

It is the policy of the School District to maintain a minimum fund balance in the General Fund that is not less than 15% of total expenditures.

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

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

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

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 \$29,015,213 and \$506,174, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$585,912.

Investments

As of June 30, 2013, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
Fannie Mae DTD	Aaa	Less than 1	\$ 252,272
US Treasury Notes	N/A	Less than 1	426,332
US Treasury Notes	N/A	1 to 5	1,913,175
Federal Home Loan Bank	N/A	1 to 5	249,101
Federal Home Loan Bank	N/A	5 to 10	94,484
Federal Home Loan Mortgage	Aaa	1 to 5	577,718
Federal National Mortgage Association	N/A	Less than 1	255,845
Federal National Mortgage Association	N/A	1 to 5	358,153
Federal National Mortgage Association	N/A	5 to 10	585,507
Government National Mortgage	Aaa	More than	21,364
Total			<u>\$ 4,733,951</u>

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2013, the district did not have any investments to which this would apply.

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Major fund - Title I Part A Fund	\$ 151,766
	Major fund - EHA Part B Fund	62,900
	Other governmental funds	66,574
Other governmental funds	Other governmental funds	<u>6,174</u>
Total		<u>\$ 287,414</u>

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

B. Advances To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Major fund - T5 R19 S16 Principal Fund	General Fund	<u>\$ 25,000</u>

The advance was for the purpose of financing certain renovation projects of the School District.

Sixteenth section principal loans payable

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:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30			
2014	<u>\$ 25,000</u>	<u>1,000</u>	<u>26,000</u>

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 22,442
Major fund - Title I Part A Fund	General Fund	70,226
	Other governmental funds	103,854
Major fund - EHA Part B Fund	General Fund	32,413
Major fund - T9 R19 S16 Principal Fund	General Fund	6,585
Major fund - T5 R19 S16 Principal Fund	General Fund	118,346
Major fund - 16th Section Non-shared Principal Fund	General Fund	38,236
Other governmental funds	General Fund	167,102
	Other governmental funds	82,777
Total		<u>\$ 641,981</u>

The transfer out of the General Fund was for the purpose of funding worker's compensation. The transfer from the Title I Fund was to finance the consolidated administrative cost fund in the Other Governmental Funds and indirect costs to the General Fund. The transfer from EHA Part B Fund to General fund was indirect cost. The transfers to General fund from 16th Section Principal Funds was for accumulated interest income. The transfer from Other Governmental Funds to General Fund was for indirect cost.

Note 4 – Restricted Assets

The restricted assets represent the cash, cash with fiscal agent and investment balances, totaling \$21,720,679, \$585,912 and \$4,733,951, respectively, which are legally restricted (i.e., 16th Section Principal Fund, Debt Service Funds and similar type funds) and may not be used for purposes that support the district's programs.

Note 5 – Capital Assets

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

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

	Balance 7/1/2012	Increases	Decreases	Balance 6/30/2013
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 46,600			46,600
Total non-depreciable capital assets	<u>46,600</u>	<u>0</u>	<u>0</u>	<u>46,600</u>
<u>Depreciable capital assets:</u>				
Buildings	9,606,308			9,606,308
Building improvements	1,297,341			1,297,341
Improvements other than buildings	286,618			286,618
Mobile equipment	2,722,866	195,816		2,918,682
Furniture and equipment	1,286,393	35,137	(39,680)	1,281,850
Total depreciable capital assets	<u>15,199,526</u>	<u>230,953</u>	<u>(39,680)</u>	<u>15,390,799</u>
<u>Less accumulated depreciation for:</u>				
Buildings	3,147,570	161,149		3,308,719
Building improvements	606,645	43,759		650,404
Improvements other than buildings	115,701	11,464		127,165
Mobile equipment	1,448,890	195,413		1,644,303
Furniture and equipment	1,151,871	61,528	(39,283)	1,174,116
Total accumulated depreciation	<u>6,470,677</u>	<u>473,313</u>	<u>(39,283)</u>	<u>6,904,707</u>
Total depreciable capital assets, net	<u>8,728,849</u>	<u>(242,360)</u>	<u>(397)</u>	<u>8,486,092</u>
Governmental activities capital assets, net	<u>\$ 8,775,449</u>	<u>(242,360)</u>	<u>(397)</u>	<u>8,532,692</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 193,683
Support services	240,844
Non-instructional	38,786
Total depreciation expense - Governmental activities	<u>\$ 473,313</u>

Note 6 – Long-term Liabilities

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

	Balance 7/1/2012	Additions	Reductions	Balance 6/30/2013	Amounts due within one year
A. Limited obligation refunding bonds payable	\$ 2,352,000		295,000	2,057,000	307,000
B. Certificates of participation refunding payable	454,000		62,000	392,000	62,000
C. Three mill notes payable	773,000		365,000	408,000	201,000
D. Shortfall notes payable	10,371		10,371	0	
E. Obligations under energy efficiency leases	24,896		24,896	0	
F. Compensated absences payable	86,067	318		86,385	4,319
Total	<u>\$ 3,700,334</u>	<u>318</u>	<u>757,267</u>	<u>2,943,385</u>	<u>574,319</u>

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

A. Limited obligation refunding bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds, 2007	3.9	2/1/2007	2/1/2019	\$ 3,530,000	2,057,000

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

Year Ending June 30	Principal	Interest	Total
2014	\$ 307,000	75,568	382,568
2015	320,000	63,122	383,122
2016	332,000	50,180	382,180
2017	348,000	36,682	384,682
2018	362,000	14,887	376,887
2019	388,000	7,702	395,702
Total	\$ 2,057,000	248,141	2,305,141

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

B. Certificates of participation refunding payable

Certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Certificates of participation refunding payable	2.09	6/1/2012	4/1/2019	\$ 454,000	392,000

The original certificates of participation for \$950,000 dated April 1, 1999 were refunded on June 1, 2012 for \$454,000. See Note 11 for details.

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

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

Year Ending June 30	Principal	Interest	Total
2014	\$ 62,000	8,193	70,193
2015	63,000	6,897	69,897
2016	64,000	5,580	69,580
2017	66,000	4,243	70,243
2018	68,000	2,863	70,863
2019	69,000	1,442	70,442
Total	<u>\$ 392,000</u>	<u>29,218</u>	<u>421,218</u>

This debt will be retired from the Debt Service Fund with a pledge of state Education Enhancement Funds.

C. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax notes, 2012	1.28	5/1/2012	6/1/2015	<u>\$ 790,000</u>	<u>408,000</u>

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	\$ 201,000	5,222	206,222
2015	207,000	2,650	209,650
Total	<u>\$ 408,000</u>	<u>7,872</u>	<u>415,872</u>

This debt will be retired from the Three Mill Note Retirement Fund (Debt Service Fund).

D. Shortfall notes payable

The shortfall notes were paid in full during the fiscal year.

E. Obligations under energy efficiency leases

The obligations under energy efficiency leases were paid in full during the fiscal year.

F. Compensated absences payable

As more fully explained in Note 1(F)(8), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

Note 7 – 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

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2013 was 14.26% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2013, 2012 and 2011 were \$1,123,703, \$1,043,538 and \$998,684, respectively, which equaled the required contributions for each year.

Note 8 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2014	\$ 89,615
2015	80,527
2016	54,911
2017	52,583
2018	14,494
2019 – 2023	33,952
2024 – 2028	25,136
2029 – 2033	24,501
Thereafter	19,534
Total	<u>\$ 395,253</u>

Note 9 – Contingencies

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

Note 10 – Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 90 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2013

contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 11 – Trust Certificates

A trust agreement dated April 1, 1999, was executed by and between the school district and Trustmark National Bank, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$950,000 for the construction and renovation of school buildings and related facilities and equipment (the "project").

The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, *et seq.*, Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 6 for details regarding the debt service requirement on the trust certificates.

Using the guidance provided in Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, fund balances, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

Note 12 - Insurance loss recoveries

The School District received \$66,311 in insurance loss recoveries related to storm 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
\$ 66,311	100%	Instruction

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 School District evaluated the activity of the district through January 27, 2014, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues				
Local sources	\$ 3,714,119	3,885,678	3,885,678	171,559	0
State sources	6,789,617	6,824,446	6,824,446	34,829	0
Federal sources	548,425	191,928	191,928	(356,497)	0
Sixteenth section sources	0	0	534,849	0	534,849
Total Revenues	<u>11,052,161</u>	<u>10,902,052</u>	<u>11,436,901</u>	<u>(150,109)</u>	<u>534,849</u>
Expenditures					
Instruction	6,324,224	6,340,754	6,340,984	(16,530)	(230)
Support services	5,174,809	4,957,035	4,957,035	217,774	0
Noninstructional services	620	3,809	3,809	(3,189)	0
Sixteenth section	0	0	105,851	0	(105,851)
Debt service					
Principal	49,896	24,896	24,896	25,000	0
Interest	2,624	2,624	2,624	0	0
Total Expenditures	<u>11,552,173</u>	<u>11,329,118</u>	<u>11,435,199</u>	<u>223,055</u>	<u>(106,081)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(500,012)</u>	<u>(427,066)</u>	<u>1,702</u>	<u>72,946</u>	<u>428,768</u>
Other Financing Sources (Uses)					
Insurance loss recoveries	0	66,311	66,311	66,311	0
Operating transfers in	595,402	1,268,225	432,908	672,823	(835,317)
Operating transfers out	(79,662)	(87,158)	(22,442)	(7,496)	64,716
Total Other Financing Sources (Uses)	<u>515,740</u>	<u>1,247,378</u>	<u>476,777</u>	<u>731,638</u>	<u>(770,601)</u>
Net Change in Fund Balances	<u>15,728</u>	<u>820,312</u>	<u>478,479</u>	<u>804,584</u>	<u>(341,833)</u>
Fund Balances					
July 1, 2012, as previously reported			<u>7,191,156</u>		
June 30, 2013			<u>7,669,635</u>		

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

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule for the Major Special Revenue Fund - Title I Part A Fund
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues				
Federal sources	\$ 1,490,110	1,123,717	1,123,717	(366,393)	0
Total Revenues	<u>1,490,110</u>	<u>1,123,717</u>	<u>1,123,717</u>	<u>(366,393)</u>	<u>0</u>
Expenditures					
Instruction	491,233	379,613	379,613	111,620	0
Support services	627,198	493,868	493,868	133,330	0
Noninstructional services	103,913	76,156	76,156	27,757	0
Total Expenditures	<u>1,222,344</u>	<u>949,637</u>	<u>949,637</u>	<u>272,707</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>267,766</u>	<u>174,080</u>	<u>174,080</u>	<u>(93,686)</u>	<u>0</u>
Other Financing Sources (Uses)					
Operating transfers out	(267,766)	(174,080)	(174,080)	93,686	0
Total Other Financing Sources (Uses)	<u>(267,766)</u>	<u>(174,080)</u>	<u>(174,080)</u>	<u>93,686</u>	<u>0</u>
Net Change in Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances					
July 1, 2012			<u>0</u>		
June 30, 2013			<u>\$ 0</u>		

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

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule for the Major Special Revenue Fund - EHA Part B Fund
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
State sources	\$ 0	164	164	164	0
Federal sources	599,001	515,873	515,873	(83,128)	0
Total Revenues	<u>599,001</u>	<u>516,037</u>	<u>516,037</u>	<u>(82,964)</u>	<u>0</u>
Expenditures					
Instruction	121,474	111,494	111,494	9,980	0
Support services	444,621	371,029	371,029	73,592	0
Noninstructional services	1,500	1,101	1,101	399	0
Total Expenditures	<u>567,595</u>	<u>483,624</u>	<u>483,624</u>	<u>83,971</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>31,406</u>	<u>32,413</u>	<u>32,413</u>	<u>1,007</u>	<u>0</u>
Other Financing Sources (Uses)					
Operating transfers out	(31,406)	(32,413)	(32,413)	(1,007)	0
Total Other Financing Sources (Uses)	<u>(31,406)</u>	<u>(32,413)</u>	<u>(32,413)</u>	<u>(1,007)</u>	<u>0</u>
Net Change in Fund Balances	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances					
July 1, 2012			<u>0</u>		
June 30, 2013			<u>\$ 0</u>		

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

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2013

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

SUPPLEMENTARY INFORMATION

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

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 402,389
National school lunch program	10.555	871,330
Summer food service program for children	10.559	9,993
Total child nutrition cluster		1,283,712
Total U.S. Department of Agriculture		1,283,712
 <u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The school and libraries program of the universal service fund	32.XXX	115,038
Total Federal Communications Commission		115,038
 <u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	1,123,717
TRIO - talent search	84.044	37,290
Rural education	84.358	27,172
Improving teacher quality - state grants	84.367	199,262
Total		1,387,441
Special education cluster:		
Special education - grants to states	84.027	516,037
Special education - preschool grants	84.173	43,551
Total special education cluster		559,588
Total passed-through Mississippi Department of Education		1,947,029
Total U.S. Department of Education		1,947,029
 <u>Other Federal Assistance</u>		
Direct program:		
Reserve Officers' Training Corps	12.XXX	76,484
Total Other Federal Assistance		76,484
Total for All Federal Awards		\$ 3,422,263

NOTES TO SCHEDULE

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

JEFFERSON DAVIS COUNTY 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 and Other Student Instructional Expenditures</u>	<u>General Administrative</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 11,724,042	8,151,103	860,577	829,698	1,882,664
Other	5,350,524	1,276,871	227,708	14,365	3,831,580
Total	<u>17,074,566</u>	<u>9,427,974</u>	<u>1,088,285</u>	<u>844,063</u>	<u>5,714,244</u>
Total number of students	<u>1,562</u>				
Cost per student	<u>\$ 10,931</u>	<u>6,036</u>	<u>697</u>	<u>540</u>	<u>3,658</u>

Notes to the schedule.

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

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

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

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

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

OTHER INFORMATION

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

UNAUDITED

	2013	2012*	2011*	2010*
Revenues				
Local sources	\$ 3,885,678	3,388,740	3,408,111	3,131,451
State sources	6,824,446	6,682,937	6,499,321	6,782,903
Federal sources	191,928	423,763	606,773	387,966
Sixteenth section sources	534,849	450,995	0	0
Total Revenues	<u>11,436,901</u>	<u>10,946,435</u>	<u>10,514,205</u>	<u>10,302,320</u>
Expenditures				
Instruction	6,340,984	5,974,091	5,151,032	5,359,079
Support services	4,957,035	5,426,311	5,285,852	4,357,156
Noninstructional services	3,809	104	16	86
Sixteenth section	105,851	0	0	0
Facilities acquisition and construction	0	65,081	40,000	0
Debt service				
Principal	24,896	47,982	45,665	43,461
Interest	2,624	7,756	17,707	12,482
Total Expenditures	<u>11,435,199</u>	<u>11,521,325</u>	<u>10,540,272</u>	<u>9,772,264</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,702</u>	<u>(574,890)</u>	<u>(26,067)</u>	<u>530,056</u>
Other Financing Sources (Uses)				
Proceeds of loans	0	0	0	30,000
Insurances loss recoveries	66,311	16,780	2,306	1,976,281
Sale of transportation equipment	0	5,839	0	4,520
Sale of other property	0	206	1,856	0
Operating transfers in	432,908	2,801,870	994,101	481,887
Operating transfers out	(22,442)	(5,152)	(102,845)	(1,763,523)
Total Other Financing Sources (Uses)	<u>476,777</u>	<u>2,819,543</u>	<u>895,418</u>	<u>729,165</u>
Net Change in Fund Balances	<u>478,479</u>	<u>2,244,653</u>	<u>869,351</u>	<u>1,259,221</u>
Fund Balances				
July 1, as previously reported	7,191,156	4,927,398	4,057,320	2,798,099
Prior period adjustments	<u>0</u>	<u>19,105</u>	<u>727</u>	<u>0</u>
July 1, as restated	<u>7,191,156</u>	<u>4,946,503</u>	<u>4,058,047</u>	<u>2,798,099</u>
June 30	<u>\$ 7,669,635</u>	<u>7,191,156</u>	<u>4,927,398</u>	<u>4,057,320</u>

* Source - Prior year audit reports.

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

UNAUDITED

	2013	2012*	2011*	2010*
Revenues				
Local sources	\$ 4,312,219	3,883,833	3,909,717	3,566,830
State sources	8,670,452	8,357,500	8,117,449	8,400,042
Federal sources	3,261,937	3,978,448	5,750,570	4,534,034
Sixteenth section sources	1,542,159	1,734,436	2,219,282	2,522,150
Total Revenues	17,786,767	17,954,217	19,997,018	19,023,056
Expenditures				
Instruction	8,073,590	7,893,619	8,487,741	7,954,894
Support services	6,768,217	7,894,351	7,229,817	6,021,976
Noninstructional services	1,120,209	1,117,360	1,168,781	1,064,191
Sixteenth section	242,216	208,532	197,943	240,340
Facilities acquisition and construction	0	0	1,375,116	423,232
Debt service				
Principal	757,267	750,977	539,299	515,461
Interest	111,817	144,367	172,209	184,110
Other	1,250	23,184	1,535	1,500
Total Expenditures	17,074,566	18,032,390	19,172,441	16,405,704
Excess (Deficiency) of Revenues Over Expenditures	712,201	(78,173)	824,577	2,617,352
Other Financing Sources (Uses)				
Proceeds of general obligation bonds	0	454,000	0	0
Proceeds of loans	0	790,000	0	30,000
Insurances loss recoveries	66,311	16,780	2,306	1,976,281
Sale of transportation equipment	0	5,839	0	4,520
Sale of other property	0	206	1,856	0
Operating transfers in	641,981	3,153,284	1,630,790	3,979,502
Operating transfers out	(641,981)	(3,153,284)	(1,630,790)	(3,979,502)
Payment to refunded bond escrow agent	0	(444,602)	0	0
Total Other Financing Sources (Uses)	66,311	822,223	4,162	2,010,801
Net Change in Fund Balances	778,512	744,050	828,739	4,628,153
Fund Balances				
July 1, as previously reported	34,182,820	33,423,957	32,588,477	27,959,325
Prior period adjustments	0	18,043	727	0
July 1, as restated	34,182,820	33,442,000	32,589,204	27,959,325
Increase (Decrease) in reserve for inventory	5,538	(3,230)	6,014	999
June 30	\$ 34,966,870	34,182,820	33,423,957	32,588,477

* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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CHARLES L. SHIVERS

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

Independent Auditor's Report

Superintendent and School Board
Jefferson Davis County School District

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson Davis County School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Jefferson Davis County School District's basic financial statements, and have issued my report thereon dated January 27, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Jefferson Davis County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jefferson Davis County School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Jefferson Davis 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Charles L. Shivers, CPA

Ridgeland, MS
January 27, 2014

CHARLES L. SHIVERS

Certified Public Accountant

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

Independent Auditor's Report

Superintendent and School Board
Jefferson Davis County School District

Report on Compliance for Each Major Federal Program

I have audited Jefferson Davis County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Jefferson Davis County School District's major federal programs for the year ended June 30, 2013. Jefferson Davis County School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In my opinion, Jefferson Davis 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 Jefferson Davis County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Jefferson Davis 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, I do not express an opinion on the effectiveness of Jefferson Davis County School District's internal control over compliance.

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

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

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

Charles L Shivers, CPA

Ridgeland, MS
January 27, 2014

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

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

Superintendent and School Board
Jefferson Davis County School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson Davis County School District as of and for the year ended June 30, 2013, which collectively comprise Jefferson Davis County School District's basic financial statements and have issued my report thereon dated January 27, 2014. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

CONDITION: The district incurred a timber sale on 16th section lands of \$76,250. The required fifteen percent (\$11,438) was not credited to the Forestry Escrow Fund as required by state law.

CRITERIA: Section 29-3-47, Miss. Code of 1972, requires that fifteen percent of timber sales on 16th section lands be deposited into the Forestry Escrow Fund.

CAUSE OF CONDITION: The cause of the condition is the result of an oversight by business office staff.

EFFECT OF CONDITION: The effect of this condition results in non-compliance with state laws.

RECOMMENDATION: It is recommended that the district transfer \$11,438 from the 16th section interest fund (fund number 2841) to the Forestry Escrow Fund (fund number 2830).

DISTRICT RESPONSE: The school district agrees with the finding and has already made the recommended transfer.

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

The Jefferson Davis County School District's response to the finding included in this report was not audited and, accordingly, I express no opinion on it.

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

Charles L. Shivers, CPA

Ridgeland, MS
January 27, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued on the basic financial statements: | Unqualified |
| 2. | Noncompliance material to the basic financial statements noted? | No |
| 3. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that are not considered to be material weaknesses? | None Reported |

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that are not considered to be material weaknesses? | None Reported |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | No |
| 7. | Federal program identified as major program: | |
| | a. Child nutrition cluster | |
| | CFDA #: 10.553 | |
| | CFDA #: 10.555 | |
| | CFDA #: 10.559 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |
| 10 | Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133? | No |

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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

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