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JEFFERSON DAVIS COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2014

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT

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JEFFERSON DAVIS COUNTY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORT



HOLT & ASSOCIATES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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

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

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Jefferson Davis County School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson Davis County School District as of and for the year ended June 30, 2014, 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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson Davis County School District, as of June 30, 2014, 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 Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-12 and 37-42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2014, on our consideration of the Jefferson Davis County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jefferson Davis County School District's internal control over financial reporting and compliance.

Holt & Associates, PLLC

Laurel, MS

December 1, 2014

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014. 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 2014 increased \$1,254,552, which represents 3% increase from fiscal year 2013. Total net position for 2013 increased \$1,308,088, which represents a 3% increase from fiscal year 2012.
- General revenues amounted to \$14,596,922 and \$13,579,791, or 78% and 76% of all revenues for fiscal years 2014 and 2013, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,076,983, or 22% of total revenues for 2013, and \$4,273,287, or 24% of total revenues for 2013.
- The District had \$17,419,353 and \$16,544,990 in expenses for fiscal years 2014 and 2013; only \$4,076,983 for 2014 and \$4,273,287 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$14,596,922 for 2014 and \$13,579,791 for 2013 were adequate to provide for these programs.
- Among major funds, the General Fund had \$12,374,746 in revenues and \$12,796,242 in expenditures for 2014, and \$11,436,901 in revenues and \$11,435,199 in expenditures in 2013. The General Fund's fund balance decreased by \$511,058 from 2013 to 2014, and increased by \$478,479, from 2012 to 2013.
- Capital assets, net of accumulated depreciation, decreased by \$122,787 for 2014 and decreased by \$242,757 for 2013. The decrease for 2014 was due primarily to the depreciation expense.
- Long-term debt decreased by \$544,979 for 2014 and decreased by \$756,949 for 2013. This decrease was due primarily to principal payments. The liability for compensated absences decreased by \$7,979 for 2014 and increased by \$318 for 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers 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 the financial position of the District 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.

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

Notes to the financial statements

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

Required Supplemental Information

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

Supplemental Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

Net position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$41,774,466 as of June 30, 2014.

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.

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

Table 1 presents a summary of the District's net position at June 30, 2014 and June 30, 2013.

Table 1
Condensed Statement of Net Position

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Current assets	\$ 8,351,607	\$ 8,023,711	4%
Restricted assets	27,450,643	27,040,542	2%
Capital assets, net	<u>8,409,905</u>	<u>8,532,692</u>	-1%
Total assets	<u>44,212,155</u>	<u>43,596,945</u>	1%
Deferred outflows of resources	<u>6,330</u>	<u>-</u>	N/A
Current liabilities	45,613	133,646	-66%
Long-term debt outstanding	<u>2,398,406</u>	<u>2,943,385</u>	-19%
Total liabilities	<u>2,444,019</u>	<u>3,077,031</u>	-21%
Net position:			
Net investment in capital assets	6,096,235	5,675,692	7.4%
Restricted	28,073,612	27,177,063	3%
Unrestricted	<u>7,604,619</u>	<u>7,667,159</u>	-1%
Total net position	<u>\$ 41,774,466</u>	<u>\$ 40,519,914</u>	3%

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 \$122,787
- The principal retirement of \$570,000 of long-term debt

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were \$18,673,905 and \$17,853,078, respectively. The total cost of all programs and services was \$17,419,353 for 2014 and \$16,544,990 for 2013.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2014 and June 30, 2013.

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

Table 2
Changes in Net Position

	<u>Year Ended</u> <u>June 30, 2014</u>	<u>Year Ended</u> <u>June 30, 2013</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues			
Charges for services	\$ 446,657	\$ 465,582	-4%
Operating grants and contributions	3,630,326	3,807,705	-5%
General Revenues			
Property taxes	3,988,970	3,824,063	4%
Grants and contributions not restricted	8,893,244	8,124,684	9%
Unrestricted investment earnings	123,860	50,376	146%
Sixteenth section sources	1,464,433	1,433,897	2%
Other	<u>126,415</u>	<u>146,771</u>	-14%
Total Revenues	<u>18,673,905</u>	<u>17,853,078</u>	5%
Expenses:			
Instruction	8,064,927	8,267,496	-2%
Support Services	7,931,192	6,778,584	17%
Non-instructional	1,147,772	1,153,473	0%
Sixteenth section	206,461	242,216	-15%
Interest and other expenses	<u>69,001</u>	<u>103,221</u>	-33%
Total Expenses	<u>17,419,353</u>	<u>16,544,990</u>	5%
Increase (Decrease) in Net Position	<u>1,254,552</u>	<u>1,308,088</u>	4%
Net position, July 1,	<u>40,519,914</u>	<u>39,211,826</u>	3%
Net position, June 30	<u>\$ 41,774,466</u>	<u>\$ 40,519,914</u>	3%

Governmental activities

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

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2014</u>	<u>2013</u>	
Instruction	\$ 8,064,927	\$ 8,267,496	-2%
Support services	7,931,192	6,778,584	17%
Noninstructional	1,147,772	1,153,473	0%
Sixteenth section	206,461	242,216	-15%
Interest on long-term liabilities	69,001	103,221	-33%
Total expenses	<u>\$ 17,419,353</u>	<u>\$ 16,544,990</u>	5%

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2014</u>	<u>2013</u>	
Instruction	\$ (6,617,807)	\$ (6,754,619)	-2%
Support Services	(6,530,949)	(5,340,779)	22%
Noninstructional	33,126	95,889	-65%
Sixteenth section	(157,739)	(168,973)	-7%
Interest on long-term liabilities	(69,001)	(103,221)	-33%
Total net (expense) revenue	<u>\$ (13,342,370)</u>	<u>\$ (12,271,703)</u>	9%

- Net cost of governmental activities (\$13,342,370 for 2014 and \$12,271,703 for 2013) was financed by general revenue, which is primarily made up of property taxes (\$3,988,970 for 2014 and \$3,824,063 for 2013) and state and federal revenues (\$8,893,244 for 2014 and \$8,124,684 for 2013). In addition, there was \$1,464,433 and \$1,433,897 in Sixteenth Section sources for 2014 and 2013, respectively.
- Investment earnings amounted to \$123,860 for 2014 and \$50,376 for 2013.

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 \$35,768,608, an increase of \$801,738, which includes a decrease in inventory of \$9,415. \$7,032,032 or 20% 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 \$28,736,576 or 80% is either nonspendable, restricted, or assigned to indicate that it is not available for spending except only for the purpose to which it is restricted, or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$511,058. The fund balance of Other Governmental Funds showed an increase in the amount of \$316,490, which includes a decrease in inventory of \$9,415.

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

The increase/ (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Part A Fund	no increase or decrease
Title II Fund	no increase or decrease
EHA Part B Fund	no increase or decrease
T9 R19 S16 Principal Fund	\$ 97,142
T5 R19 S16 Principal Fund	\$ 24,347
16 th Section Non-shared Principal Fund	\$ 874,817

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 supplemental information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2014, the District's total capital assets were \$15,711,046, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment. This amount represents an increase of \$273,647 from 2013. Total accumulated depreciation as of June 30, 2014, was \$7,301,141, and total depreciation expense for the year was \$568,629, resulting in total net capital assets of \$8,409,905.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage of Change</u>
Land	\$ 46,600	\$ 46,600	0%
Buildings	6,136,441	6,297,589	-3%
Building Improvements	603,178	646,937	-7%
Improvements other than buildings	147,988	159,453	-7%
Mobile equipment	1,110,643	1,274,379	-13%
Furniture and Equipment	<u>365,055</u>	<u>107,734</u>	239%
Total	<u>\$ 8,409,905</u>	<u>\$ 8,532,692</u>	-1%

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

Debt Administration. At June 30, 2014, the District had \$2,398,406 in outstanding long-term debt, of which \$613,920 is due within one year. The liability for compensated absences decreased \$7,979 from the prior year.

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Percentage Change</u>
Limited obligation refunding bonds payable	1,783,000	2,057,000	-13%
Certificates of participation refunding payable	330,000	392,000	-16%
Three mill notes payable	207,000	408,000	-49%
Compensated absences payable	<u>78,406</u>	<u>86,385</u>	-9%
Total	<u><u>\$ 2,398,406</u></u>	<u><u>\$ 2,943,385</u></u>	-19%

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 questions about this report, contact the Superintendent's Office of the Jefferson Davis County School District, P.O. Box 1197, Prentiss, MS 39474.

FINANCIAL STATEMENTS

**JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014**

EXHIBIT A

		Primary Government Governmental Activities
ASSETS:		
Cash and cash equivalents	\$	7,635,756
Due from other governments		689,538
Accrued interest receivable		93
Other receivables, net		196
Inventories		26,024
Restricted assets		27,450,643
Capital assets, non-depreciable		
Land		46,600
Capital assets, net of accumulated depreciation		
Buildings		6,136,441
Building improvements		603,178
Improvements other than buildings		147,988
Mobile equipment		1,110,643
Furniture and equipment		365,055
TOTAL ASSETS		44,212,155
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow from advance refunding of debt		6,330
TOTAL DEFERRED OUTFLOWS OF RESOURCES		6,330
 LIABILITIES:		
Accounts payable and accrued liabilities		33,642
Interest payable on long-term liabilities		11,971
Long-term liabilities (Due within one year)		
Capital related liabilities		610,000
Non-capital related liabilities		3,920
Long-term liabilities (Due beyond one year)		
Capital related liabilities		1,710,000
Non-capital related liabilities		74,486
TOTAL LIABILITIES		2,444,019
 NET POSITION:		
Net investment in capital assets		6,096,235
Restricted net position:		
Expendable:		
School-based activities		283,512
Debt service		436,736
Forestry improvements		166,932
Unemployment benefits		42,145
Non-expendable:		
Sixteenth section		27,144,287
Unrestricted:		7,604,619
TOTAL NET POSITION	\$	41,774,466

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

**JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

EXHIBIT B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary Government:					
Governmental Activities:					
Instruction	\$ 8,064,927	\$ 269,700	\$ 1,177,420	\$ -	(6,617,807)
Support services	7,931,192	5,206	1,395,037	-	(6,530,949)
Non-instructional	1,147,772	123,029	1,057,869	-	33,126
Sixteenth section	206,461	48,722	-	-	(157,739)
Interest and other expenses on long-term liabilities	69,001	-	-	-	(69,001)
Total governmental activities	\$ 17,419,353	446,657	3,630,326	-	(13,342,370)
Taxes:					
General purpose levies					3,778,412
Debt purpose levies					210,558
Unrestricted grants & contributions:					
State					7,860,427
Federal					1,032,817
Unrestricted investment earnings					123,860
Sixteenth section earnings					1,464,433
Other					126,415
Total General Revenues					14,596,922
Change in Net Position					1,254,552
Net Position- Beginning					40,519,914
Net Position - Ending					\$ 41,774,466

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

**JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014**

EXHIBIT C

MAJOR FUNDS

General Fund	Title I Part A Fund	Title II Fund	EHA Part B Fund	T9 R19 S16		T5 R19 S16		16th Section Non-shared Principal Fund	Other Governmental Funds	Total Governmental Funds
				Principal Fund	Fund	Principal Fund	Fund			
\$ 6,727,907	\$ -	\$ -	\$ -	\$ 2,835,356	\$ 2,259,273	\$ 16,877,032	\$ 1,068,302	\$ 29,767,870		
-	-	-	-	-	449,736	-	203,691	653,427		
-	-	-	-	850,000	3,807,359	7,743	-	4,665,102		
175,076	161,009	33,203	61,791	-	-	-	258,459	689,538		
-	-	-	-	-	51	42	-	93		
-	-	-	-	-	130	66	-	196		
288,683	-	-	-	-	-	-	5,267	293,950		
-	-	-	-	-	-	-	26,024	26,024		
\$ 7,191,666	\$ 161,009	\$ 33,203	\$ 61,791	\$ 3,685,356	\$ 6,516,549	\$ 16,884,883	\$ 1,561,743	\$ 36,096,200		

LIABILITIES & FUND BALANCES:

Liabilities:	
Accounts payable and accrued liabilities	\$ 33,089
Due to other funds	161,009
Total Liabilities	33,089
Fund Balances:	
Nonspendable:	
Inventory	-
Permanent fund principal	-
Restricted:	
Debt service	-
Forestry improvement purposes	-
Grant activities	-
Unemployment benefits	-
Assigned:	
Capital improvements	-
Student services	126,545
Other purposes	-
Unassigned	7,032,032
Total Fund Balances	7,158,577
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,191,666

Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	161,009	33,203	61,791	-	-	-	-	-	37,947	293,950
Total Liabilities	161,009	33,203	61,791	-	-	-	-	-	38,500	327,592
Fund Balances:										
Nonspendable:										
Inventory	-	-	-	-	-	-	-	-	26,024	26,024
Permanent fund principal	-	-	-	3,678,414	6,462,559	16,843,261	-	-	160,053	27,144,287
Restricted:										
Debt service	-	-	-	-	-	-	-	-	448,707	448,707
Forestry improvement purposes	-	-	-	-	-	-	-	-	166,932	166,932
Grant activities	-	-	-	-	-	-	-	-	257,488	257,488
Unemployment benefits	-	-	-	-	-	-	-	-	42,145	42,145
Assigned:										
Capital improvements	-	-	-	-	-	-	-	-	421,494	421,494
Student services	126,545	-	-	-	-	-	-	-	-	126,545
Other purposes	-	-	-	6,942	53,990	41,622	400	400	-	102,954
Unassigned	7,032,032	-	-	-	-	-	-	-	-	7,032,032
Total Fund Balances	7,158,577	-	-	3,685,356	6,516,549	16,884,883	1,523,243	1,523,243	-	35,768,608
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,191,666	\$ 33,203	\$ 61,791	\$ 3,685,356	\$ 6,516,549	\$ 16,884,883	\$ 1,561,743	\$ 36,096,200		

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, 2014**

EXHIBIT C-1

Total Fund Balance - Governmental Funds \$ 35,768,608

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

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

Land	46,600	
Buildings	9,606,308	
Building improvements	1,297,341	
Improvements other than buildings	286,618	
Mobile equipment	2,763,537	
Furniture and equipment	1,710,642	
Accumulated Depreciation	<u>(7,301,141)</u>	8,409,905

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

Limited obligation bonds	(1,783,000)	
Notes payable	(207,000)	
Certificates of participation	(330,000)	
Unamortized charges	6,330	
Accrued interest payable	(11,971)	
Compensated absences	<u>(78,406)</u>	<u>(2,404,047)</u>

Total Net Position - Governmental Activities \$ 41,774,466

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

EXHIBIT D

	MAJOR FUNDS										Total Governmental Funds
	General Fund	Title I Part A Fund	Title II Fund	EHA Part B Fund	T9 R19 S16		T5 R19 S16		16th Section Non-shared Principal Fund	Other Governmental Funds	
					Principal Fund	Fund	Principal Fund	Fund			
Revenues:											
Local Sources	\$ 4,100,469	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 424,413	\$ 4,524,882
State Sources	6,760,357	-	-	-	-	-	-	-	-	1,585,838	8,346,195
Federal Sources	1,131,209	1,146,029	229,558	468,113	-	-	-	-	-	1,202,466	4,177,375
Sixteenth Section Sources	382,711	-	-	-	123,087	150,049	914,407	-	-	49,993	1,620,247
Total Revenues	12,374,746	1,146,029	229,558	468,113	123,087	150,049	914,407	-	-	3,262,710	18,668,699
Expenditures:											
Instruction	6,363,687	426,051	137,705	81,565	-	-	-	-	-	874,600	7,883,608
Support Services	6,389,761	514,796	87,142	364,932	-	-	-	-	-	682,783	8,039,414
Noninstructional Services	3,750	25,933	-	335	-	-	-	-	-	1,072,028	1,102,046
Sixteenth Section	36,794	-	-	-	19,215	88,513	-	-	-	61,939	206,461
Debt Service:											
Principal	-	-	-	-	-	-	-	-	-	570,000	570,000
Interest	1,000	-	-	-	-	-	-	-	-	63,609	64,609
Other	1,250	-	-	-	-	-	-	-	-	25,852	27,102
Total Expenditures	12,796,242	966,780	224,847	446,832	19,215	88,513	-	-	-	3,350,811	17,893,240
Excess (Deficiency) of Revenues Over Expenditures	(421,496)	179,249	4,711	21,281	103,872	61,536	914,407	-	(88,101)	775,459	-
Other Financing Sources (Uses):											
Insurance Recovery	5,206	-	-	-	-	-	-	-	-	-	5,206
Refunding bond issued	-	-	-	-	-	-	-	-	-	1,783,000	1,783,000
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	(1,757,912)	(1,757,912)
Sale of transportation equipment	5,400	-	-	-	-	-	-	-	-	-	5,400
Operating Transfers In	372,310	-	-	-	-	-	-	-	-	686,478	1,058,788
Operating Transfers Out	(472,478)	(179,249)	(4,711)	(21,281)	(6,730)	(37,189)	(39,590)	-	-	(297,560)	(1,058,788)
Total Other Financing Sources (Uses)	(89,562)	(179,249)	(4,711)	(21,281)	(6,730)	(37,189)	(39,590)	-	414,006	35,694	-
Net Change in Fund Balances	(511,058)				97,142	24,347	874,817	325,905	811,153		
Fund Balances:											
July 1, 2013, as previously reported	7,669,635	-	-	-	3,588,214	6,492,202	16,010,066	-	1,206,753	-	34,966,870
Increase (decrease) in Reserve for Inventory	-	-	-	-	-	-	-	-	(9,415)	-	(9,415)
June 30, 2014	\$ 7,158,577	\$ -	\$ -	\$ -	\$ 3,685,356	\$ 6,516,549	\$ 16,884,883	\$ -	\$ 1,523,243	\$ -	\$ 35,768,608

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, 2014**

EXHIBIT D-1

Net change in fund balances - governmental funds \$ 811,153

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

1. Governmental fund report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:				
Capital outlay		464,975		
Depreciation expense		<u>(568,629)</u>		(103,654)
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in governmental funds, the proceeds from the sale increases financial resources. Thus, the change in the net position differs from the change in fund balance by the cost of the assets sold.				(19,133)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and the difference between the carrying value of refunded debt and the acquisitions cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statements of activities.				
Refunding bonds issued		(1,783,000)		
Payments of debt principal		570,000		
Payments on refunding bonds		1,750,000		
Accrued interest payable		24,292		
Deferred charges on refunding		<u>7,912</u>		569,204
4. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:				
Change in compensated absences		7,979		
Change in inventory reserve		(9,415)		
Amortization of deferred charges on refunding		<u>(1,582)</u>		<u>(3,018)</u>
Change in net position of governmental activities				<u>\$ 1,254,552</u>

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, 2014**

EXHIBIT E

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ <u>521,325</u>
TOTAL ASSETS	<u><u>521,325</u></u>
LIABILITIES	
Accounts payable and accrued liabilities	483,039
Due to student clubs	<u>38,286</u>
TOTAL LIABILITIES	<u><u>\$ 521,325</u></u>

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

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2014

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 an "other stand-alone government." The school district is a related organization of, but not a component unit of, the City of Jefferson Davis County since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

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

Blended component unit

The Jefferson Davis County School District 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.

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.

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2014

Note 1- Summary of Significant Accounting Policies

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 result when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The school district reports the following major governmental funds:

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

Title I Part A Fund - This special revenue fund is financed with federal funds and is used to account for the activities associated with the Title I grant administered by the U.S. Department of Education.

Title II Fund - This special revenue fund is financed with federal funds and is used to account for the activities associated with improving teacher quality grant administered by the U.S. Department of Education.

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 S 16 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.

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

Note 1- Summary of Significant Accounting Policies

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

The District's fiduciary funds include the following:

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

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

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

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

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

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

Note 1- Summary of Significant Accounting Policies

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

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

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

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

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

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2014

Note 1- Summary of Significant Accounting Policies

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

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.

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

Note 1- Summary of Significant Accounting Policies

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

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

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

Note 1- Summary of Significant Accounting Policies

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Refunding of bond \$ 6,630

See note 6 for further details.

8. Compensated Absences

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

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

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

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

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

10. Fund Balances

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

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

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

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

Note 1- Summary of Significant Accounting Policies-Continued

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

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

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

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

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

It is the 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 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.

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$29,767,870 and \$521,325, 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 \$653,427.

Investments

As of June 30, 2014, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
Federal National Mortgage Association	N/A	1 to 5	\$ 425,906
Federal National Mortgage Association	N/A	5 to 10	388,044
US Treasury Notes	N/A	less than 1	429,405
US Treasury Notes	N/A	1 to 5	1,977,475
Federal Home Loan Bank	N/A	1 to 5	241,855
Federal Home Loan Bank	N/A	5 to 10	95,636
Federal Home Loan Mortgage Association	Aaa	1 to 5	756,247
Federal Home Loan Mortgage Association	N/A	1 to 5	207,766
Federal Home Loan Mortgage Association	Aaa	5 to 10	125,469
Government National Mortgage Assoc.	Aaa	More than	17,299
Total			\$ 4,665,102

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.

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

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

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, 2014, the district did not have any investments to which this would apply.

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

A. Due From/To Other Funds.

Receivable Fund	Payable Fund	Amount
General fund	Title I	\$ 161,009
	Title II	33,203
	EHA Part B	61,791
	Other Governmental Funds	32,680
Other Governmental Funds	Other Governmental Funds	5,267
Totals		<u>\$ 293,950</u>

The purpose of the Due from/to other funds balances was to cover deficit cash balances. All balances are expected to be repaid within one year from the date of the financial statements.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other Governmental Funds	\$ 472,478
Title I	General Fund	49,424
Title I	Other Governmental Funds	129,825
Title II	Other Governmental Funds	4,711
EHA Part B	General Fund	21,281
T9 R19 S16 Principal	General Fund	6,730
T5 R19 S16 Principal	General Fund	37,189
16th Section Non-shared	General Fund	39,590
Other Governmental Funds	General Fund	218,096
Other Governmental Funds	Other Governmental Funds	79,464
Totals		<u>\$ 1,058,788</u>

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

Note 4- Restricted Assets

The restricted assets represent the cash, cash with fiscal agents and investment balance, totaling \$22,132,114, \$653,427 and \$4,665,102, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

Note 5- Capital Assets

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

	<u>Balance</u> <u>7/1/2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2014</u>
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 46,600	\$ -	\$ -	\$ 46,600
Total non-depreciable capital assets	<u>46,600</u>	<u>-</u>	<u>-</u>	<u>46,600</u>
 <u>Depreciable capital assets</u>				
Buildings	9,606,308	-	-	9,606,308
Buildings improvements	1,297,341	-	-	1,297,341
Improvements other than buildings	286,618	-	-	286,618
Mobile equipment	2,918,682	36,183	(191,328)	2,763,537
Furniture and equipment	<u>1,281,850</u>	<u>428,792</u>	<u>-</u>	<u>1,710,642</u>
Total depreciable capital assets	<u>15,390,799</u>	<u>464,975</u>	<u>(191,328)</u>	<u>15,664,446</u>
 <u>Less accumulated depreciation</u>				
Buildings	3,308,719	161,148	-	3,469,867
Buildings improvements	650,404	43,759	-	694,163
Improvements other than buildings	127,165	11,465	-	138,630
Mobile equipment	1,644,303	180,786	(172,195)	1,652,894
Furniture and equipment	<u>1,174,116</u>	<u>171,471</u>	<u>-</u>	<u>1,345,587</u>
Total accumulated depreciation	<u>6,904,707</u>	<u>568,629</u>	<u>(172,195)</u>	<u>7,301,141</u>
 Total depreciable capital assets, net	<u>8,486,092</u>	<u>(103,654)</u>	<u>(19,133)</u>	<u>8,363,305</u>
 Governmental activities capital assets, net	<u>\$ 8,532,692</u>	<u>\$ (103,654)</u>	<u>\$ (19,133)</u>	<u>\$ 8,409,905</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 194,799
Support	337,120
Non-Instruction	<u>36,710</u>
Total Depreciation Expense	<u>\$ 568,629</u>

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

Note 6- Long-term Liabilities

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

<u>Description</u>	<u>Balance</u> <u>7/1/2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2014</u>	<u>Amounts due</u> <u>within</u> <u>one year</u>
A. Limited obligation refunding bonds payable	2,057,000	1,783,000	2,057,000	1,783,000	340,000
B. Certificates of participation payable	392,000		62,000	330,000	63,000
C. Three mill note payable	408,000		201,000	207,000	207,000
D. Compensated absences payable	<u>86,385</u>	<u>-</u>	<u>7,979</u>	<u>78,406</u>	<u>3,920</u>
	<u>\$ 2,943,385</u>	<u>\$ 1,783,000</u>	<u>\$ 2,327,979</u>	<u>\$ 2,398,406</u>	<u>\$ 613,920</u>

A. Limited obligation refunding bonds payable

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

<u>Description</u>	<u>Interest</u> <u>Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount</u> <u>Issued</u>	<u>Amount</u> <u>Outstanding</u>
1. State aid capital improvement refunding bonds, 2013	3.90%	2/1/2014	2/1/2018	<u>\$ 1,783,000</u>	<u>\$ 1,783,000</u>
Total				<u>\$ 1,783,000</u>	<u>\$ 1,783,000</u>

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

1. Limited obligation bond issue of 2/1/2014:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	340,000	21,936	361,936
2016	345,000	17,278	362,278
2017	353,000	12,532	365,532
2018	<u>745,000</u>	<u>7,657</u>	<u>752,657</u>
Total	<u>\$ 1,783,000</u>	<u>\$ 59,403</u>	<u>\$ 1,842,403</u>

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.

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

Note 6- Long-term Liabilities-Continued

On August 12, 2013, the district issued \$1,783,000 in limited obligation refunding bonds with an interest rate of 1.36% to retire through a current refunding \$1,750,000 of outstanding limited obligation bonds with an interest rate of 3.9%. The net proceeds of \$1,757,912 after issuance costs was paid on the outstanding limited obligation bond.

As a result, \$1,750,000 of the Series 2007 State Aid Capital Improvement bonds are considered to be defeased and the liability for those bonds has been removed from long-term liabilities.

B. Certificates of participation refunding payable

As more fully explained in Note 11, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
1. Certificates of participation refunding payable	2.09%	6/1/2012	4/1/2019	\$ 454,000	\$ 330,000
Total				<u>\$ 454,000</u>	<u>\$ 330,000</u>

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

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

1. Limited obligation bond issue of 6/1/2012:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 330,000</u>	<u>\$ 21,025</u>	<u>\$ 351,025</u>

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

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

Note 6- Long-term Liabilities-Continued

C. Three mill notes payable

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
1. Limited tax note, series 2012	1.28%	5/1/2012	6/1/2015	\$ 790,000	\$ 207,000
Total				<u>\$ 790,000</u>	<u>\$ 207,000</u>

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

1. Three mill notes payable issue of 5/1/2012:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30			
2015	207,000	2,650	209,650
Total	<u>\$ 207,000</u>	<u>\$ 2,650</u>	<u>\$ 209,650</u>

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

D. Compensated absences payable

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

Note 7- Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2014 was 15.75% 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, 2014, 2013 and 2012 were \$1,367,021, \$1,123,703 and \$1,043,538, respectively, which equaled the required contributions for each year.

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2014

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
2015	86,333
2016	69,517
2017	67,189
2018	28,755
2019	10,610
Thereafter	<u>104,801</u>
Total	<u>\$ 367,205</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 94 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2014

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.

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- Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Jefferson Davis County School District evaluated the activity of the district through December 1, 2014, the date the financial statements were available to be issued and determined there were no subsequent events that have occurred that require disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

SCHEDULE 1a

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local Sources	\$ 3,912,799	\$ 4,100,469	\$ 4,100,469	\$ 187,670	\$ -
State Sources	6,636,939	6,760,357	6,760,357	123,418	-
Federal Sources	548,426	1,102,274	1,131,209	553,848	28,935
Sixteenth section sources	-	-	382,711	-	382,711
Total Revenues	<u>11,098,164</u>	<u>11,963,100</u>	<u>12,374,746</u>	<u>864,936</u>	<u>411,646</u>
Expenditures:					
Instruction	6,612,347	6,363,687	6,363,687	\$ 248,660	\$ -
Support Services	5,294,263	6,360,826	6,389,761	(1,066,563)	(28,935)
Noninstructional Services	-	3,750	3,750	(3,750)	-
Sixteenth section	-	-	36,794	-	(36,794)
Debt Service					
Principal	39,896	-	-	39,896	-
Interest	2,624	1,000	1,000	1,624	-
Other	-	1,250	1,250	(1,250)	-
Total Expenditures	<u>11,949,130</u>	<u>12,730,513</u>	<u>12,796,242</u>	<u>(781,383)</u>	<u>(65,729)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(850,966)</u>	<u>(767,413)</u>	<u>(421,496)</u>	<u>83,553</u>	<u>345,917</u>
Other Financing Sources (Uses):					
Insurance Recovery	-	5,206	5,206	5,206	-
Sale of Transportation Equipment	-	5,400	5,400	5,400	-
Operating Transfers In	949,654	1,188,057	372,310	238,403	(815,747)
Operating Transfers Out	(95,494)	(520,168)	(472,478)	(424,674)	47,690
Total Other Financing Sources (Uses)	<u>854,160</u>	<u>678,495</u>	<u>(89,562)</u>	<u>(175,665)</u>	<u>(768,057)</u>
Net Change in Fund Balance	<u>3,194</u>	<u>(88,918)</u>	<u>(511,058)</u>	<u>(92,112)</u>	<u>(422,140)</u>
Fund Balances:					
July 1, 2013	<u>4,764,519</u>	<u>6,040,553</u>	<u>7,669,635</u>	<u>1,276,034</u>	<u>1,629,082</u>
June 30, 2014	<u>\$ 4,767,713</u>	<u>\$ 5,951,635</u>	<u>\$ 7,158,577</u>	<u>\$ 1,183,922</u>	<u>\$ 1,206,942</u>

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

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR TITLE I PART A FUND
FOR THE YEAR ENDED JUNE 30, 2014

SCHEDULE 1b

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>(GAAP Basis)</u>	<u>Variances</u> <u>Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>		<u>Original</u>	<u>Final</u>
				<u>to Final</u>	<u>to Actual</u>
Revenues:					
Federal Sources	\$ 1,394,749	\$ 1,586,772	\$ 1,146,029	\$ 192,023	\$ (440,743)
Total Revenues	<u>1,394,749</u>	<u>1,586,772</u>	<u>1,146,029</u>	<u>192,023</u>	<u>(440,743)</u>
Expenditures:					
Instruction	476,934	623,174	426,051	(146,240)	197,123
Support Services	596,387	647,342	514,796	(50,955)	132,546
Noninstructional Services	<u>58,112</u>	<u>61,040</u>	<u>25,933</u>	<u>(2,928)</u>	<u>35,107</u>
Total Expenditures	<u>1,131,433</u>	<u>1,331,556</u>	<u>966,780</u>	<u>(200,123)</u>	<u>364,776</u>
Excess (Deficiency) of Revenues over Expenditures	<u>263,316</u>	<u>255,216</u>	<u>179,249</u>	<u>(8,100)</u>	<u>(75,967)</u>
Other Financing Sources (Uses):					
Operating Transfers Out	<u>(263,316)</u>	<u>(255,216)</u>	<u>(179,249)</u>	<u>8,100</u>	<u>75,967</u>
Total Other Financing Sources (Uses)	<u>(263,316)</u>	<u>(255,216)</u>	<u>(179,249)</u>	<u>8,100</u>	<u>75,967</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
July 1, 2013	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE TITLE II FUND
FOR THE YEAR ENDED JUNE 30, 2014

SCHEDULE 1a

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal Sources	\$ 308,020	\$ 382,631	\$ 229,558	\$ 74,611	\$ (153,073)
Total Revenues	<u>308,020</u>	<u>382,631</u>	<u>229,558</u>	<u>74,611</u>	<u>(153,073)</u>
Expenditures:					
Instruction	165,331	189,786	137,705	(24,455)	52,081
Support Services	<u>138,871</u>	<u>188,134</u>	<u>87,142</u>	<u>(49,263)</u>	<u>100,992</u>
Total Expenditures	<u>304,202</u>	<u>377,920</u>	<u>224,847</u>	<u>(73,718)</u>	<u>153,073</u>
Excess (Deficiency) of Revenues over Expenditures	<u>3,818</u>	<u>4,711</u>	<u>4,711</u>	<u>893</u>	<u>-</u>
Other Financing Sources (Uses):					
Operating Transfers Out	<u>(3,818)</u>	<u>(4,711)</u>	<u>(4,711)</u>	<u>(893)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(3,818)</u>	<u>(4,711)</u>	<u>(4,711)</u>	<u>(893)</u>	<u>-</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
July 1, 2013	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE EHA PART B FUND
FOR THE YEAR ENDED JUNE 30, 2014**

SCHEDULE 1c

	<u>Budgeted Amounts</u>		Actual (GAAP Basis)	<u>Variance</u> <u>Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>		<u>Original</u> <u>to Final</u>	<u>Final</u> <u>to Actual</u>
Revenues:					
Federal Sources	\$ 496,003	\$ 496,003	\$ 468,113	\$ -	\$ (27,890)
Total Revenues	<u>496,003</u>	<u>496,003</u>	<u>468,113</u>	<u>-</u>	<u>(27,890)</u>
Expenditures:					
Instruction	86,917	84,831	81,565	2,086	3,266
Support services	386,042	397,117	364,932	(11,075)	32,185
Noninstructional services	600	500	335	100	165
Total Expenditures	<u>473,559</u>	<u>482,448</u>	<u>446,832</u>	<u>(8,889)</u>	<u>35,616</u>
Excess (Deficiency) of Revenues over Expenditures	<u>22,444</u>	<u>13,555</u>	<u>21,281</u>	<u>(8,889)</u>	<u>7,726</u>
Other Financing Sources (Uses):					
Operating Transfers Out	(22,444)	(22,444)	(21,281)	-	1,163
Total Other Financing Sources (Uses)	<u>(22,444)</u>	<u>(22,444)</u>	<u>(21,281)</u>	<u>-</u>	<u>1,163</u>
Net Change in Fund Balance	<u>-</u>	<u>(8,889)</u>	<u>-</u>	<u>(8,889)</u>	<u>8,889</u>
Fund Balances:					
July 1, 2013	-	-	-	-	-
June 30, 2014	<u>\$ -</u>	<u>\$ (8,889)</u>	<u>\$ -</u>	<u>\$ (8,889)</u>	<u>\$ 8,889</u>

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

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to the Required Supplemental Information
For the Year Ended June 30, 2014

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTAL INFORMATION

**JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/ Pass-Through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	SCHEDULE 2 Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>		
Passed-Through Mississippi Dept. of Education:		
Child Nutrition Cluster:		
National School Lunch Program	10.555	\$ 730,247
School Breakfast Program	10.553	301,138
Summer Food Service Program for Children	10.559	<u>8,690</u>
Total Child Nutrition Cluster		<u>1,040,075</u>
Total U.S. Department of Agriculture		<u>1,040,075</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	<u>100,840</u>
Total U.S. Department of Defense		<u>100,840</u>
<u>FEDERAL COMMUNICATIONS COMMISSION</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	<u>1,032,271</u>
Total Federal Communications Commission		<u>1,032,271</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>		
Passed-Through Mississippi Dept. of Education:		
Career and Technical Education-Basic Grants to States	84.048	23,599
Rehabilitation Services-Vocational Rehabilitation Grants to States	84.126	546
Rural Education	84.358	26,640
Improving Teacher Quality - State Grants	84.367	224,848
Title I Grants to Local Educational Agencies	84.010	<u>966,780</u>
Subtotal		<u>1,242,413</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	446,832
Special Education - Preschool Grants	84.173	<u>35,575</u>
Total Special Education Cluster		<u>482,407</u>
Total Passed-Through MDE		<u>1,724,820</u>
Total U.S. Department of Education		<u>1,724,820</u>
Total for all Federal Awards		<u>\$ 3,898,006</u>

NOTES TO THE SCHEDULE:

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

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE, AND OTHER EXPENDITURES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administrative</u>	<u>School Administrative</u>	<u>Other</u>
Salaries and fringe benefits	\$ 12,015,692	\$ 7,137,793	\$ 861,548	\$ 872,885	\$ 3,143,466
Other	<u>5,877,548</u>	<u>745,816</u>	<u>284,485</u>	<u>10,347</u>	<u>4,836,900</u>
Total	<u>\$ 17,893,240</u>	<u>\$ 7,883,609</u>	<u>\$ 1,146,033</u>	<u>\$ 883,232</u>	<u>\$ 7,980,366</u>
 Total number of students *	 <u>1,449</u>				
Cost per student	<u>\$ 12,349</u>	<u>\$ 5,441</u>	<u>\$ 791</u>	<u>\$ 610</u>	<u>\$ 5,507</u>

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

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

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

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

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

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

OTHER INFORMATION

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

"UNAUDITED"

	<u>2014</u>	<u>2013*</u>	<u>2012*</u>	<u>2011*</u>
Revenues:				
Local Sources	\$ 4,100,469	\$ 3,885,678	\$ 3,388,740	\$ 3,408,111
State Sources	6,760,357	6,824,446	6,682,937	6,499,321
Federal Sources	1,131,209	191,928	423,763	606,773
Sixteenth Section Sources	<u>382,711</u>	<u>534,849</u>	<u>450,995</u>	<u>-</u>
Total Revenues	<u>12,374,746</u>	<u>11,436,901</u>	<u>10,946,435</u>	<u>10,514,205</u>
Expenditures				
Instruction	6,363,687	6,340,984	5,974,091	5,151,032
Support Services	6,389,761	4,957,035	5,426,311	5,285,852
Noninstructional Services	3,750	3,809	104	16
Sixteenth section	36,794	105,851	-	-
Facilities Acquisition & Construction	-	-	65,081	40,000
Debt Service:				
Principal		24,896	47,982	45,665
Interest	1,000	2,624	7,756	17,707
Other	<u>1,250</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>12,796,242</u>	<u>11,435,199</u>	<u>11,521,325</u>	<u>10,540,272</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(421,496)</u>	<u>1,702</u>	<u>(574,890)</u>	<u>(26,067)</u>
OTHER FINANCING SOURCES (USES)				
Insurance Recovery	5,206	66,311	16,780	2,306
Sale of Transportation Equipment	5,400	-	5,839	-
Sale of Other Property	-	-	206	1,856
Operating Transfers In	372,310	432,908	2,801,870	994,101
Operating Transfers Out	<u>(472,478)</u>	<u>(22,442)</u>	<u>(5,152)</u>	<u>(102,845)</u>
Total Other Financing Sources (Uses)	<u>(89,562)</u>	<u>476,777</u>	<u>2,819,543</u>	<u>895,418</u>
NET CHANGE IN FUND BALANCES	<u>(511,058)</u>	<u>478,479</u>	<u>2,244,653</u>	<u>869,351</u>
FUND BALANCES:				
Beginning of period, as originally reported	7,669,635	7,191,156	4,927,398	4,057,320
Prior period adjustment	<u>-</u>	<u>-</u>	<u>19,105</u>	<u>727</u>
Beginning of period, as restated	<u>7,669,635</u>	<u>7,191,156</u>	<u>4,946,503</u>	<u>4,058,047</u>
End of Period	<u>\$ 7,158,577</u>	<u>\$ 7,669,635</u>	<u>\$ 7,191,156</u>	<u>\$ 4,927,398</u>

* Source- prior year audit reports

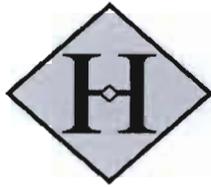
JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
ALL GOVERNMENTAL FUNDS
LAST FOUR YEARS

"UNAUDITED"

	<u>2014</u>	<u>2013*</u>	<u>2012*</u>	<u>2011*</u>
Revenues:				
Local Sources	\$ 4,524,882	\$ 4,312,219	\$ 3,883,833	\$ 3,909,717
State Sources	8,346,195	8,670,452	8,357,500	8,117,449
Federal Sources	4,177,375	3,261,937	3,978,448	5,750,570
Sixteenth Section Sources	<u>1,620,247</u>	<u>1,542,159</u>	<u>1,734,436</u>	<u>2,219,282</u>
Total Revenues	<u>18,668,699</u>	<u>17,786,767</u>	<u>17,954,217</u>	<u>19,997,018</u>
Expenditures				
Instruction	7,883,608	8,073,590	7,893,619	8,487,741
Support Services	8,039,414	6,768,217	7,894,351	7,229,817
Noninstructional Services	1,102,046	1,120,209	1,117,360	1,168,781
Sixteenth Section	206,461	242,216	208,532	197,943
Facilities Acquisition & Construction		-	-	1,375,116
Debt Service:				
Principal	570,000	757,267	750,977	539,299
Interest	64,609	111,817	144,367	172,209
Other	<u>27,102</u>	<u>1,250</u>	<u>23,184</u>	<u>1,535</u>
Total Expenditures	<u>17,893,240</u>	<u>17,074,566</u>	<u>18,032,390</u>	<u>19,172,441</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>775,459</u>	<u>712,201</u>	<u>(78,173)</u>	<u>824,577</u>
Other Financing Sources (Uses)				
Bonds and Notes Issued	-	-	1,244,000	-
Insurance Recovery	5,206	66,311	16,780	2,306
Refunding bond issued	1,783,000	-	-	-
Payment to refunded bond escrow agent	(1,757,912)	-	-	-
Payments to QSCB Debt Escrow Agent	-	-	(444,602)	-
Sale of Transportation Equipment	5,400	-	5,839	-
Sale of Other Property	-	-	206	1,856
Operating Transfers In	1,058,788	641,981	3,153,284	1,630,790
Operating Transfers Out	<u>(1,058,788)</u>	<u>(641,981)</u>	<u>(3,153,284)</u>	<u>(1,630,790)</u>
Total Other Financing Sources (Uses)	<u>35,694</u>	<u>66,311</u>	<u>822,223</u>	<u>4,162</u>
Net Change in Fund Balance	<u>811,153</u>	<u>778,512</u>	<u>744,050</u>	<u>828,739</u>
Fund Balances:				
Beginning of period, as originally reported	34,966,870	34,182,820	33,423,957	32,588,477
Prior period adjustment	<u>-</u>	<u>-</u>	<u>18,043</u>	<u>727</u>
Beginning of period, as restated	<u>34,966,870</u>	<u>34,182,820</u>	<u>33,442,000</u>	<u>32,589,204</u>
Increase (Decrease) in Reserve for Inventory	<u>(9,415)</u>	<u>5,538</u>	<u>(3,230)</u>	<u>6,014</u>
End of Period	<u>\$ 35,768,608</u>	<u>\$ 34,966,870</u>	<u>\$ 34,182,820</u>	<u>\$ 33,423,957</u>

* Source- Prior year audit reports

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE



HOLT & ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

W. David Dill, CPA

Julie M. Uher, CPA

Kari M. Blackledge, CPA

H. I. Holt, CPA

Founder (1915-1997)

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

Superintendent and School Board
Jefferson Davis County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson Davis County School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Jefferson Davis County School District's basic financial statements, and have issued our report thereon dated December 1, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we 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 our 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, we do not express an opinion on the effectiveness of Jefferson Davis County School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. (2014-001)

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, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Jefferson Davis County School District's Response to Findings

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

Purpose of this Report

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

Holt & Associates, PLLC

December 1, 2014



HOLT & ASSOCIATES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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Julie M. Uher, CPA

Kari M. Blackledge, CPA

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Founder (1915-1997)

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

Superintendent and School Board
Jefferson Davis County School District

Report on Compliance for Each Major Federal Program

We 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, 2014. 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

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

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

Opinion on Each Major Federal Program

In our 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, 2014.

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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 our audit of compliance, we 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, we 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.

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

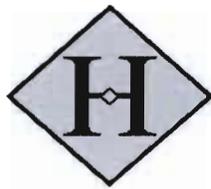
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Holt & Associates, PLLC

Laurel, MS

December 1, 2014

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



HOLT & ASSOCIATES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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Julie M. Uher, CPA
Kari M. Blackledge, CPA

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

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

Superintendent and School Board
Jefferson Davis County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson Davis County School District as of and for the year ended June 30, 2014, which collectively comprise Jefferson Davis County School District's basic financial statements and have issued our report thereon dated December 1, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district did not report any classroom supply funds carried over from previous years.

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

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

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

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

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

Holt & Associates, PLLC

December 1, 2014

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2014

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|----------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified. |
| 2. | Noncompliance material to financial statements noted? | No. |
| 3. | Internal control over financial reporting: | |
| a. | Material weakness(es) identified? | Yes. |
| b. | Significant deficiency(ies) identified that are not considered to be material weakness(es)? | 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 weakness(es) identified? | No. |
| b. | Significant deficiency(ies) identified that are not considered to be material weakness(es)? | None reported. |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | No. |
| 7. | Federal programs identified as major programs: | |
| | <u>CFDA Numbers</u> <u>Name of Federal Program or Cluster</u> | |
| | 32.xx The schools and libraries of the universal service fund | |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as low-risk auditee? | Yes. |

Section II: Financial Statement Findings

Material Weakness:

Finding 2014-001:

Condition:

During testing of revenues, we discovered that there were no internal control procedures in place to correctly record the discount on invoices for E-rate revenues.

Criteria:

The financial statements are the responsibility of the school district's management. Procedures should be in place to accurately record all revenue.

Cause:

There were no procedures in place to accurately record the discount from the vendors for the revenue.

Effect:

An audit adjustment was required because of material misstatement in the financial statements.

Recommendation

The school district should implement procedures to account for E-rate revenues appropriately.

Section III: Federal Award Findings and Questioned Costs

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



Will L. Russell
Superintendent of Education

Board of Education
Jessie Holloway, District 1
Billy Boleware, District 2
John N. Bass, District 3
Beulah Walker, District 4
Von Norwood, District 5

As required by Section __.315(c) of OMB Circular A-133, the Jefferson Davis County School District has prepared and hereby submits the following corrective action plan for the finding included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2014.

Finding

Corrective Action Plan Details

2014-001

a. Name of contact person responsible for corrective action:

Sheila Copeland, Business Manager

b. Corrective Action Planned:

The District is currently establishing written procedures to document a step by step process and internal controls that will be followed to insure that all E-Rate revenue and associated expenditures are properly recorded in the District's financial accounting system. These recorded transactions will be reconciled each quarter to the E-Rate Quarterly Disbursements Authorization Report as provided by Schools and Libraries Division of Universal Service Administrative Company (USAC). Upon implementation of the documented procedures, the Business Office staff will be effectively trained on the established procedures.

c. Anticipated Completion Date:

January 15, 2015