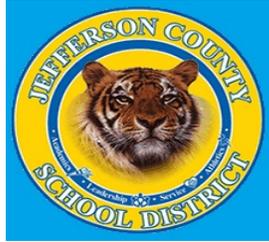




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Audited Financial Statements
For the Year Ended June 30, 2015

Fortenberry & Ballard, PC
Certified Public Accountants

**Jefferson County School District
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Jefferson County School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson County School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Jefferson County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson County School District, as of June 30, 2015, 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.

Emphasis if Matter

As discussed in Note 1 to the financial statements, the school district adopted Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. As a result, net position as of July 1, 2014, has been restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information and pension schedules on pages 8 to 17 and 51 to 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds 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 accompanying supplementary information mentioned above 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 January 22, 2016, on our consideration of the Jefferson County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jefferson County School District's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
January 22, 2016

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

The following discussion and analysis of Jefferson County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2015. 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 2015 decreased \$14,389,383, including a prior period adjustment of (\$14,855,545) due primarily to the effect of the net pension liability, which represents a 207% decrease from fiscal year 2014. Total net position for 2014 increased \$302,441, which represents a 5% increase from fiscal year 2013.
- General revenues amounted to \$9,823,754 and \$9,514,046, or 73% and 73% of all revenues for fiscal years 2015 and 2014, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,692,835, or 27% of total revenues for 2015, and \$3,434,621, or 27% of total revenues for 2014.
- The District had \$13,050,427 and \$12,646,226 in expenses for fiscal years 2015 and 2014; only \$3,692,835 for 2015 and \$3,434,621 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$9,823,754 for 2015 and \$9,514,046 for 2014 were adequate to provide for these programs.
- Among major funds, the General Fund had \$9,348,316 in revenues and \$9,415,472 in expenditures for 2015, and \$8,458,083 in revenues and \$8,635,961 in expenditures in 2014. The General Fund's fund balance increased by \$3,328,283 from 2014 to 2015, including a fund reclassification of \$2,694,848 and a prior period adjustment of \$280, and increased by \$17,243 from 2013 to 2014.
- Capital assets, net of accumulated depreciation, increased by \$343,184 for 2015 and decreased by \$174,750 for 2014. The increase for 2015 was due primarily to the addition of mobile equipment and furniture and equipment.
- Long-term debt increased by \$645,883 for 2015 and decreased by \$371,599 for 2014. The increase for 2015 was due primarily to the issuance of a three mill note during the fiscal year. The liability for compensated absences decreased by \$10,812 for 2015 and increased by \$8,096 for 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

supplementary information, and other information.

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-

JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Position, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

statements can be found immediately following the basic financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board. Additionally, the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of District's Contributions are presented in this section.

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources were less than liabilities and deferred inflows of resources by (\$7,443,864) as of June 30, 2015.

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

Table 1 presents a summary of the District's net position at June 30, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

Table 1
Condensed Statement of Net Position

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Current assets	\$ 5,577,683	\$ 5,112,709	9.09 %
Restricted assets	227,057	226,504	0.24 %
Capital assets, net	3,141,908	2,798,724	12.26 %
Total assets	<u>8,946,648</u>	<u>8,137,937</u>	9.94 %
Deferred outflows of resources	<u>1,348,986</u>	<u>-</u>	N/A
Current liabilities	76,314	84,196	(9.36) %
Long-term debt outstanding	1,743,293	1,108,222	57.31 %
Net pension liability	13,713,461	-	N/A %
Total liabilities	<u>15,533,068</u>	<u>1,192,418</u>	1,202.65 %
Deferred inflows of resources	<u>2,206,430</u>	<u>-</u>	N/A
Net position:			
Net investment in capital assets	2,314,408	2,319,639	(0.23) %
Restricted	1,194,470	4,049,344	(70.50) %
Unrestricted	(10,952,742)	576,536	(1,999.75) %
Total net position (deficit)	<u>\$ (7,443,864)</u>	<u>\$ 6,945,519</u>	(207.18) %

Additional information on unrestricted net position:

In connection with the implementation of new standards on accounting and financial reporting for pensions, management presents the following additional information:

Total unrestricted net position (deficit)	\$ (10,952,742)
Less unrestricted deficit in net position resulting from recognition of the net pension liability	<u>14,570,905</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 3,618,163</u>

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

- Increase in net capital assets in the amount of \$343,184.
- Implementation of GASB Statement No. 68 which required the recording of a liability for the proportionate share of the school district as well as the recording of deferred outflows/inflows of resources on the Statement of Net Position.
- The issuance of long-term debt in the amount of \$940,000.
- The principal retirement of \$294,117 of long-term debt.

JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$13,516,589 and \$12,948,667, respectively. The total cost of all programs and services was \$13,050,427 for 2015 and \$12,646,226 for 2014.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

**Table 2
Changes in Net Position**

	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2014</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 310,438	\$ 253,841	22.30 %
Operating grants and contributions	3,382,397	3,180,780	6.34 %
General revenues:			
Property taxes	2,027,166	1,981,239	2.32 %
Grants and contributions not restricted	7,086,221	6,836,028	3.66 %
Investment earnings	14,363	12,741	12.73 %
Sixteenth section sources	676,061	676,067	(0.00) %
Other	19,943	7,971	150.19 %
Total revenues	<u>13,516,589</u>	<u>12,948,667</u>	4.39 %
Expenses:			
Instruction	6,092,430	6,751,772	(9.77) %
Support services	4,967,054	4,794,833	3.59 %
Non-instructional	1,030,064	1,029,276	0.08 %
Sixteenth section	57,265	31,850	79.80 %
Pension expense	850,140	-	N/A
Interest on long-term liabilities	53,474	38,495	38.91 %
Total expenses	<u>13,050,427</u>	<u>12,646,226</u>	3.20 %
Increase (Decrease) in net position	<u>466,162</u>	<u>302,441</u>	54.13 %
Net Position, July 1, as previously reported	<u>6,945,519</u>	<u>6,643,078</u>	4.55 %
Prior Period Adjustment	<u>(14,855,545)</u>	<u>-</u>	N/A
Net Position, July 1, as restated	<u>(7,910,026)</u>	<u>6,643,078</u>	(219.07) %
Net Position (deficit), June 30	<u><u>\$ (7,443,864)</u></u>	<u><u>\$ 6,945,519</u></u>	(207.18) %

Governmental activities

The following table presents the cost of six major District functional activities: instruction, support services, non-instructional, sixteenth section, pension expense, and interest on long-term liabilities. The table also shows each functional activity's net cost (total cost less charges for

JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

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.

GASB 68 was implemented in fiscal year 2015. Prior year amounts do not reflect the implementation of GASB 68.

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2015	2014	
Instruction	\$ 6,092,430	\$ 6,751,772	(9.77) %
Support services	4,967,054	4,794,833	3.59 %
Non-instructional	1,030,064	1,029,276	0.08 %
Sixteenth section	57,265	31,850	79.80 %
Pension Expense	850,140	-	N/A
Interest on long-term liabilities	53,474	38,495	38.91 %
Total expenses	\$ 13,050,427	\$ 12,646,226	3.20 %
	Net (Expense) Revenue		Percentage Change
	2015	2014	
Instruction	\$ (4,427,294)	\$ (5,190,792)	(14.71) %
Support services	(4,067,988)	(4,035,924)	0.79 %
Non-instructional	5,618	8,372	(32.90) %
Sixteenth section	35,686	45,234	(21.11) %
Pension Expense	(850,140)	-	N/A
Interest on long-term liabilities	(53,474)	(38,495)	38.91 %
Total net (expense) revenue	\$ (9,357,592)	\$ (9,211,605)	1.58 %

- Net cost of governmental activities (\$9,357,592 for 2015 and \$9,211,605 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$2,027,166 for 2015 and \$1,981,239 for 2014) and state and federal revenues (\$7,086,221 for 2015 and \$6,836,028 for 2014). In addition, there was \$676,061 and \$676,067 in Sixteenth Section sources for 2015 and 2014, respectively.
- Investment earnings amounted to \$14,363 for 2015 and \$12,741 for 2014.

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

JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$5,757,980, an increase of \$494,819, which includes a prior period adjustment of \$280 and an increase in inventory of \$10,132. \$4,503,409, or 78%, 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, or assigned to specific purposes within the general fund. The remaining fund balance of \$1,254,571, or 22%, is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$3,328,283, which includes a fund reclassification of \$2,694,848 and a prior period adjustment of \$280. The fund balance of Other Governmental Funds showed a decrease in the amount of \$2,833,464, which includes a fund reclassification of (\$2,694,848) and an increase in inventory of \$10,132. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I-A Basic Fund	no increase or decrease
School Improvement Grant Fund	no increase or decrease
21st Century Community Learning Fund	no increase or decrease

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2015, the District's total capital assets were \$7,787,114, including land, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$419,241 from 2014, due primarily to the purchase of six school buses and various other items of mobile equipment and furniture and equipment. Total accumulated depreciation as of June 30, 2015, was \$4,645,206, and total depreciation expense for the year was \$224,827, resulting in total net capital assets of \$3,141,908.

JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Land	\$ 19,828	\$ 19,828	0.00 %
Buildings	1,662,545	1,696,557	(2.00) %
Building improvements	480,754	432,198	11.23 %
Improvements other than buildings	68,335	72,328	(5.52) %
Mobile equipment	833,917	441,421	88.92 %
Furniture and equipment	76,529	51,484	48.65 %
Leased property under capital leases	-	84,908	(100.00) %
Total	<u>\$ 3,141,908</u>	<u>\$ 2,798,724</u>	12.26 %

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

Debt Administration. At June 30, 2015, the District had \$1,743,293 in outstanding long-term debt, of which \$316,415 is due within one year. During the fiscal year, the District received proceeds from the issuance of a three mill note in the amount of \$940,000. The District made principal payments totaling \$294,117 on outstanding long-term debt. The liability for compensated absences decreased \$10,812 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 715,000	\$ 940,000	(23.94) %
Three mill notes payable	940,000	-	N/A
Shortfall notes payable	-	60,032	(100.00) %
Obligations under capital leases	-	9,085	(100.00) %
Compensated absences payable	88,293	99,105	(10.91) %
Total	<u>\$ 1,743,293</u>	<u>\$ 1,108,222</u>	57.31 %

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

CURRENT ISSUES

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

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

JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

JEFFERSON COUNTY SCHOOL DISTRICT

**Statement of Net Position
June 30, 2015**

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 4,808,529
Due from other governments	731,532
Lease receivables	4,827
Inventories	32,795
Restricted assets	227,057
Capital assets, non-depreciable:	
Land	19,828
Capital assets, net of accumulated depreciation:	
Buildings	1,662,545
Building improvements	480,754
Improvements other than buildings	68,335
Mobile equipment	833,917
Furniture and equipment	76,529
Total Assets	<u>8,946,648</u>
Deferred Outflows of Resources	
Deferred outflow related to pensions	1,348,986
Total Deferred Outflows of Resources	<u>1,348,986</u>
Liabilities	
Accounts payable and accrued liabilities	42,664
Due to other governments	4,096
Interest payable on long-term liabilities	29,554
Long-term liabilities, due within one year:	
Capital related liabilities	156,000
Non-capital related liabilities	160,415
Long-term liabilities, due beyond one year:	
Capital related liabilities	671,500
Non-capital related liabilities	755,378
Net pension liability	13,713,461
Total Liabilities	<u>15,533,068</u>
Deferred Inflows of Resources	
Deferred inflow related to pensions	2,206,430
Total Deferred Inflows of Resources	<u>2,206,430</u>
Net Position	
Net investment in capital assets	2,314,408
Restricted for:	
Expendable:	
School-based activities	352,975
Debt service	216,494
Capital improvements	63,490
Forestry improvements	309,427
Unemployment benefits	33,866
Non-expendable:	
Sixteenth section	218,218
Unrestricted	(10,952,742)
Total Net Position (deficit)	<u>\$ (7,443,864)</u>

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

JEFFERSON COUNTY SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
Governmental Activities:					
Instruction	\$ 6,092,430	\$ 110,157	\$ 1,554,979	\$	(4,427,294)
Support services	4,967,054	55,530	843,536		(4,067,988)
Non-instructional	1,030,064	51,800	983,882		5,618
Sixteenth section	57,265	92,951	-		35,686
Pension expense	850,140	-	-		(850,140)
Interest on long-term liabilities	53,474	-	-		(53,474)
Total Governmental Activities	\$ 13,050,427	\$ 310,438	\$ 3,382,397	\$	(9,357,592)

General Revenues:

Taxes:

General purpose levies	2,026,181
Debt purpose levies	985

Unrestricted grants and contributions:

State	6,939,468
Federal	146,753
Unrestricted investment earnings	14,363
Sixteenth section sources	676,061
Other	19,943

Total General Revenues 9,823,754

Change in Net Position 466,162

Net Position - Beginning, as previously reported 6,945,519
Prior Period Adjustments (14,855,545)

Net Position - Beginning, as restated (7,910,026)

Net Position (deficit) - Ending \$ (7,443,864)

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

JEFFERSON COUNTY SCHOOL DISTRICT

Governmental Funds

**Balance Sheet
June 30, 2015**

Exhibit C

	Major Funds						Total Governmental Funds
	General Fund	Title I-A Basic Fund	School Improvement Fund	21st Century Community Learning Fund	Other Governmental Funds		
Assets							
Cash and cash equivalents	\$ 3,977,096	\$ -	\$ -	\$ -	1,053,489	\$	5,030,585
Cash with fiscal agents	-	-	-	-	5,001		5,001
Due from other governments	137,717	218,655	66,245	82,863	223,351		728,831
Lease receivables	4,827	-	-	-	-		4,827
Due from other funds	461,076	-	-	-	-		461,076
Inventories	-	-	-	-	32,795		32,795
Total assets	\$ 4,580,716	\$ 218,655	\$ 66,245	\$ 82,863	\$ 1,314,636	\$	6,263,115
Liabilities and Fund Balances							
Liabilities:							
Accounts payable and accrued liabilities	\$ 42,664	\$ -	\$ -	\$ -	\$ -		42,664
Due to other funds	4,096	218,655	66,245	82,863	90,612		462,471
Total Liabilities	46,760	218,655	66,245	82,863	90,612		505,135
Fund Balances:							
Nonspendable:							
Inventory	-	-	-	-	32,795		32,795
Permanent fund principal	-	-	-	-	218,218		218,218
Restricted:							
Debt service	-	-	-	-	246,048		246,048
Capital projects	-	-	-	-	63,490		63,490
Forestry improvement purposes	-	-	-	-	309,427		309,427
Grant activities	-	-	-	-	50,682		50,682
Unemployment benefits	-	-	-	-	33,866		33,866
Child nutrition	-	-	-	-	265,660		265,660
Sixteenth section	-	-	-	-	3,838		3,838
Assigned:							
Activity funds	23,008	-	-	-	-		23,008
Other purposes	7,539	-	-	-	-		7,539
Unassigned	4,503,409	-	-	-	-		4,503,409
Total Fund Balances	4,533,956	-	-	-	1,224,024		5,757,980
Total Liabilities and Fund Balances	\$ 4,580,716	\$ 218,655	\$ 66,245	\$ 82,863	\$ 1,314,636	\$	6,263,115

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

JEFFERSON COUNTY SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2015**

Exhibit C-1

Total fund balances for governmental funds \$ 5,757,980

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

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

Land	\$ 19,828	
Buildings	4,127,471	
Building improvements	858,489	
Improvements other than buildings	161,986	
Mobile equipment	2,121,791	
Furniture and equipment	497,549	
Accumulated depreciation	<u>(4,645,206)</u>	3,141,908

2. Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:

Net pension liability (13,713,461)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	1,348,986	
Deferred inflows of resources related to pensions	<u>(2,206,430)</u>	(14,570,905)

3. 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	(715,000)	
Notes payable	(940,000)	
Compensated absences	(88,293)	
Accrued interest payable	<u>(29,554)</u>	(1,772,847)

Net Position of governmental activities \$ (7,443,864)

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

JEFFERSON COUNTY SCHOOL DISTRICT

Governmental Funds

**Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2015**

Exhibit D

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General Fund	Title I-A Basic Fund	School Improvement Fund	21st Century Community Learning Fund	Grant		
Revenues:							
Local sources	\$ 2,148,632	\$ -	\$ -	\$ -	\$ -	\$ 65,896	\$ 2,214,528
State sources	6,338,987	-	-	-	-	939,660	7,278,647
Federal sources	177,012	863,765	322,422	257,351	-	1,569,422	3,189,972
Sixteenth section sources	683,685	-	-	-	-	94,227	777,912
Total Revenues	9,348,316	863,765	322,422	257,351	-	2,669,205	13,461,059
Expenditures:							
Instruction	4,824,731	459,760	249,281	167,099	-	1,033,137	6,734,008
Support services	4,589,791	156,939	72,576	85,931	-	848,466	5,753,703
Noninstructional services	950	122,262	565	4,321	-	972,927	1,101,025
Sixteenth section	-	-	-	-	-	57,265	57,265
Debt service:							
Principal	-	-	-	-	-	294,117	294,117
Interest	-	-	-	-	-	30,814	30,814
Other	-	-	-	-	-	1,250	1,250
Total Expenditures	9,415,472	738,961	322,422	257,351	-	3,237,976	13,972,182
Excess (Deficiency) of Revenues over (under) Expenditures	(67,156)	124,804	-	-	-	(568,771)	(511,123)
Other Financing Sources (Uses):							
Bonds and notes issued	940,000	-	-	-	-	-	940,000
Insurance recovery	55,530	-	-	-	-	-	55,530
Operating transfers in	4,418	-	-	-	-	443,279	447,697
Operating transfers out	(299,637)	(124,804)	-	-	-	(23,256)	(447,697)
Total Other Financing Sources (Uses)	700,311	(124,804)	-	-	-	420,023	995,530
Net Change in Fund Balances	633,155	-	-	-	-	(148,748)	484,407
Fund Balances:							
July 1, 2014, as previously reported	1,205,673	-	-	-	-	4,057,488	5,263,161
Fund reclassification	2,694,848	-	-	-	-	(2,694,848)	-
Prior period adjustments	280	-	-	-	-	-	280
July 1, 2014, as restated	3,900,801	-	-	-	-	1,362,640	5,263,441
Increase (Decrease) in inventory	-	-	-	-	-	10,132	10,132
June 30, 2015	\$ 4,533,956	\$ -	\$ -	\$ -	\$ -	\$ 1,224,024	\$ 5,757,980

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

JEFFERSON COUNTY SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2015**

Exhibit D-1

Net change in fund balances - total governmental funds \$ 484,407

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

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

Capital outlay	\$ 583,453	
Depreciation expense	<u>(224,827)</u>	358,626

- In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold. (15,442)

- 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 premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Bonds and notes issued	(940,000)	
Payments of debt principal	294,117	
Accrued interest payable	<u>(21,410)</u>	(667,293)

- Some items reported in the statement of activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:

Recording of pension expense for the current period	(850,140)	
Recording of contributions made subsequent to the measurement date	<u>1,135,060</u>	284,920

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

Change in compensated absences	10,812	
Change in inventory	<u>10,132</u>	20,944

Change in Net Position of governmental activities \$ 466,162

JEFFERSON COUNTY SCHOOL DISTRICT

Fiduciary Funds

**Statement of Fiduciary Net Position
June 30, 2015**

Exhibit E

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ 1,500	\$ 648,030
Due from other funds	-	4,096
Total Assets	<u>1,500</u>	<u>\$ 652,126</u>
Liabilities		
Accounts payable and accrued liabilities		\$ 637,954
Due to other funds		2,701
Due to student clubs		11,471
Total Liabilities		<u>\$ 652,126</u>
Net Position		
Reserved for endowments	<u>1,500</u>	
Total Net Position	<u>\$ 1,500</u>	

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

JEFFERSON COUNTY SCHOOL DISTRICT

Fiduciary Funds

**Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2015**

Exhibit F

	<u>Private-Purpose Trust Funds</u>
Additions	
Contributions and donations from private sources	\$ -
Total Additions	<u>-</u>
Deductions	
Scholarships awarded	<u>-</u>
Total Deductions	<u>-</u>
Change in Net Position	<u>-</u>
Net Position	
July 1, 2014	<u>1,500</u>
June 30, 2015	<u><u>\$ 1,500</u></u>

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

Jefferson County School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2015

Note 1 – Summary of Significant Accounting Policies

The accompanying financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board to which each board member is elected by the citizens of each defined county district.

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

B. Government-wide and Fund Financial Statements

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

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

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2015

legislation.

3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The school district reports the following major governmental funds:

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

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

School Improvement Grant Fund - This is a special revenue fund that accounts for federal sources received and expenditures incurred to improve the curriculum and instruction of the school district.

21st Century Community Learning Fund - This is a special revenue fund that accounts for federal sources received and expenditures incurred to provide academic enrichment opportunities during non-school hours through learning centers mainly for children from high-poverty and low-performing schools.

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

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

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2015

The District's fiduciary funds include the following:

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

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

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

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2015

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

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

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

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

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

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

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

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

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

financing sources.

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

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

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

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

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.

Sixteenth section rental payments due to the school district for the use of school trust lands that have not been collected at fiscal year end are recorded as lease receivables in the governmental fund and government-wide financial statements.

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

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 COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2015

7. Deferred outflows/inflows of resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The school district has incurred a deferred inflow which is presented as a deferred inflow related to pensions.

See Note 14 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 and Bond Discounts/Premiums

In the government-wide financial statements, 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

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

reported as expenditures. See Note 6 for details.

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Fund Balances

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

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

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

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

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

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

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2015

established by the District's approved fund balance policy.

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

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 7% of District Maintenance revenues or expenditures. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

F. New Pronouncements

In June 2012, the GASB issued GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, note disclosure and required supplementary information requirements about pensions also are addressed. This Statement is effective for fiscal years beginning after June 15, 2014.

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

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2015

through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with 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 \$5,030,585 and \$649,530, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2015, none of the district's bank balance of \$6,236,081 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of the school district's cash with fiscal agents held by financial institutions was \$5,001.

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I-A Basic Fund	\$ 218,655
	School Improvement Grant Fund	66,245
	21st Century Community Learning Fund	82,863
	Other Governmental Funds	90,612
	Fiduciary funds	2,701
	General Fund	4,096
Fiduciary funds		
Total		<u>\$ 465,172</u>

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

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other Governmental Funds	\$ 299,637
Title I-A Basic Fund	Other Governmental Funds	124,804
Other Governmental Funds	General Fund	4,418
	Other Governmental Funds	18,838
Total		<u>\$ 447,697</u>

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

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling \$222,056 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district’s programs. In addition, the restricted assets represent the cash with fiscal agent balance totaling \$5,001 of the MAEP Limited Obligation Bond Fund.

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

Note 5 – Capital Assets

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

	Balance 7/1/2014	Increases	Decreases	Adjustments	Balance 6/30/2015
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 19,828				\$ 19,828
Total non-depreciable capital assets	19,828	-	-	-	19,828
<u>Depreciable capital assets:</u>					
Buildings	4,127,471				4,127,471
Building improvements	720,330			138,159	858,489
Improvements other than buildings	161,986				161,986
Mobile equipment	1,719,016	525,143	142,496	20,128	2,121,791
Furniture and equipment	460,955	58,310	21,716		497,549
Leased property under capital leases	158,287			(158,287)	-
Total depreciable capital assets	7,348,045	583,453	164,212	-	7,767,286
<u>Less accumulated depreciation for:</u>					
Buildings	2,430,914	34,012			2,464,926
Building improvements	288,132	34,339		55,264	377,735
Improvements other than buildings	89,658	3,993			93,651
Mobile equipment	1,277,595	120,410	128,246	18,115	1,287,874
Furniture and equipment	409,471	32,073	20,524		421,020
Leased property under capital leases	73,379			(73,379)	-
Total accumulated depreciation	4,569,149	224,827	148,770	-	4,645,206
Total depreciable capital assets, net	2,778,896	358,626	15,442	-	3,122,080
Governmental activities capital assets, net	\$ 2,798,724	\$ 358,626	\$ 15,442	\$ -	\$ 3,141,908

Adjustments were needed to reclassify the cost and accumulated depreciation of leased property under capital leases to building improvements and mobile equipment after lease was paid in full during the fiscal year.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 62,125
Support services	120,410
Non-instructional	42,292
Total depreciation expense	\$ 224,827

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

Note 6 – Long-term Liabilities

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

	Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015	Amounts due within one year
A. Limited obligation bonds payable	\$ 940,000	\$	\$ 225,000	\$ 715,000	\$ 230,000
B. Three mill notes payable		940,000		940,000	82,000
C. Shortfall notes payable	60,032		60,032	-	
D. Obligations under capital leases	9,085		9,085	-	
E. Compensated absences payable	99,105		10,812	88,293	4,415
Total	\$ 1,108,222	\$ 940,000	\$ 304,929	\$ 1,743,293	\$ 316,415

A. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvement Refunding Bonds, Series 2009	3.00%	12/18/2009	2/1/2018	\$ 1,890,000	\$ 715,000

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 230,000	\$ 21,450	\$ 251,450
2017	235,000	14,550	249,550
2018	250,000	6,250	256,250
Total	\$ 715,000	\$ 42,250	\$ 757,250

This debt will be retired from the MAEP Bond Retirement 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 COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Note, Series 2014	1.5%-3.7%	7/22/2014	7/22/2024	\$ 940,000	\$ 940,000

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 82,000	\$ 25,743	\$ 107,743
2017	85,000	24,513	109,513
2018	87,000	22,983	109,983
2019	90,000	21,096	111,096
2020	92,000	18,891	110,891
2021 – 2025	504,000	52,377	556,377
Total	\$ 940,000	\$ 165,603	\$ 1,105,603

This debt will be retired from the Debt Service Fund.

C. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall note payable, Series 2011	3.00%	12/14/2011	12/14/2014	\$ 174,900	\$ -

This debt was paid in full during the fiscal year and retired from the Debt Service Fund.

D. Obligations under capital leases

The school district entered into a lease agreement as lessee for financing the acquisition of mobile equipment and lighting improvements at a cost of \$150,000. This lease qualified as a capital lease for accounting purposes. The lease transferred ownership of the property to the lessee at the end of the lease term. The lease also contained a bargain purchase option.

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

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

This debt was paid in full during the fiscal year from the Debt Service Fund.

E. Compensated absences payable

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

Note 7 – Defined Benefit Pension Plan

General Information about the 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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the 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.

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee’s earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer’s rate as of June 30, 2015 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, 2015, 2014 and 2013 were \$1,135,060, \$1,086,816 and \$1,002,818, respectively, which equaled the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the school district reported a liability of \$13,713,461 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on a projection of the school district’s long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2014, the school district’s proportion was 0.112978 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$850,140. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual Experience	\$ 213,926	\$
Net difference between projected and actual earnings on pension plan investments		1,987,867
Difference between net impact of entries and calculated balance of net pension liability		218,563
District contributions subsequent to the measurement date	1,135,060	
Total	\$ <u>1,348,986</u>	\$ <u>2,206,430</u>

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

\$1,135,060 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (498,635)
2017	(498,635)
2018	(498,267)
2019	(496,967)
Total	\$ <u>1,992,504</u>

Actuarial assumptions. The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 percent
Salary increases	4.25 – 19.50 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34 %	5.20 %
International Equity	19	5.00
Emerging Markets Equity	8	5.45
Fixed Income	20	0.25
Real Assets	10	4.00
Private Equity	8	6.15
Cash	1	(0.50)
Total	100 %	

Discount rate. The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate. The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
District’s proportionate share of the net pension liability	\$ 18,695,536	\$ 13,713,461	\$ 9,557,669

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued PERS financial report.

Note 8 – Sixteenth Section Lands

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

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2015

Year Ending June 30	Amount
2016	\$ 133,403
2017	42,721
2018	18,261
2019	351
2020	351
2021-2025	1,757
2026-2030	1,757
2031-2035	1,757
2036-2040	1,123
2041-2045	700
2046-2050	700
2050-2052	280
Total	<u>\$ 203,161</u>

Note 9 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Implementation of GASB 68 and 71:	\$
Net pension liability (measurement date)	(15,942,641)
Deferred outflows - contributions made during fiscal year 2014	<u>1,086,816</u>
Total prior period adjustment related to GASB 68 and 71	(14,855,825)
2. To write off old outstanding checks at governmental fund level	<u>280</u>
Total	<u>\$ (14,855,545)</u>

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

Fund	Explanation	Amount
General Fund	To write off old outstanding checks in ap and payroll clearing and record funds due back to the General Fund	\$ 280
Total		<u>\$ 280</u>

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2015

Note 10 – Fund Reclassification

A fund reclassification in the amount of \$2,694,848 was needed to report Sixteenth Section Interest Funds, previously reported as Special Revenue Funds in prior years, as General Funds for fiscal year ended June 30, 2015.

Note 11 – Contingencies

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

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

Note 12 – 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 77 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 COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2015

Note 13 - Insurance loss recoveries

The Jefferson County School District received \$55,530 in insurance loss recoveries during the 2014-2015 fiscal year related to lightening and vehicle damages. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and were allocated to the support services expense function.

Note 14 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$10,952,742) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$1,348,986 balance of deferred outflow of resources, at June 30, 2015 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$10,952,742) includes the effect of deferring the recognition of revenues resulting from a deferred inflow from pensions. The \$2,206,430 balance of deferred inflow of resources at June 30, 2015 will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

Note 15 – Subsequent Events

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

REQUIRED SUPPLEMENTARY INFORMATION

JEFFERSON COUNTY SCHOOL DISTRICT

Required Supplementary Information

**Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 2,251,823	\$ 2,148,632	\$ 2,148,632	\$ (103,191)	\$ -
State sources	6,344,885	6,338,987	6,338,987	(5,898)	-
Federal sources	152,000	177,012	177,012	25,012	-
Sixteenth section sources	-	683,685	683,685	683,685	-
Total Revenues	8,748,708	9,348,316	9,348,316	599,608	-
Expenditures:					
Instruction	5,141,115	4,824,731	4,824,731	316,384	-
Support services	4,118,200	4,589,791	4,589,791	(471,591)	-
Noninstructional services	-	950	950	(950)	-
Total Expenditures	9,259,315	9,415,472	9,415,472	(156,157)	-
Excess (Deficiency) of Revenues over (under) Expenditures	(510,607)	(67,156)	(67,156)	443,451	-
Other Financing Sources (Uses):					
Bonds and notes issued	68,810	940,000	940,000	871,190	-
Insurance recovery	-	55,530	55,530	55,530	-
Operating transfers in	823,792	2,853,223	4,418	2,029,431	(2,848,805)
Operating transfers out	(605,837)	(453,594)	(299,637)	152,243	153,957
Total Other Financing Sources (Uses)	286,765	3,395,159	700,311	3,108,394	(2,694,848)
Net Change in Fund Balances	(223,842)	3,328,003	633,155	3,551,845	(2,694,848)
Fund Balances:					
July 1, 2014, as previously reported	1,463,821	1,205,673	1,205,673	(258,148)	-
Fund reclassification	-	-	2,694,848	-	2,694,848
Prior period adjustments	-	280	280	280	-
July 1, 2014, as restated	1,463,821	1,205,953	3,900,801	(257,868)	2,694,848
June 30, 2015	\$ 1,239,979	\$ 4,533,956	\$ 4,533,956	\$ 3,293,977	\$ -

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

JEFFERSON COUNTY SCHOOL DISTRICT

Required Supplementary Information

**Budgetary Comparison Schedule
Title I-A Basic Fund
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 795,455	\$ 863,765	\$ 863,765	\$ 68,310	\$ -
Total Revenues	795,455	863,765	863,765	68,310	-
Expenditures:					
Instruction	391,410	459,760	459,760	(68,350)	-
Support services	158,318	156,939	156,939	1,379	-
Noninstructional services	120,727	122,262	122,262	(1,535)	-
Total Expenditures	670,455	738,961	738,961	(68,506)	-
Excess (Deficiency) of Revenues over (under) Expenditures	125,000	124,804	124,804	(196)	-
Other Financing Sources (Uses):					
Operating transfers out	(125,000)	(124,804)	(124,804)	196	-
Total Other Financing Sources (Uses)	(125,000)	(124,804)	(124,804)	196	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2014	-	-	-	-	-
June 30, 2015	\$ -	\$ -	\$ -	\$ -	\$ -

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

JEFFERSON COUNTY SCHOOL DISTRICT

Required Supplementary Information

**Budgetary Comparison Schedule
School Improvement Grant Fund
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ -	\$ 322,422	\$ 322,422	\$ 322,422	\$ -
Total Revenues	-	322,422	322,422	322,422	-
Expenditures:					
Instruction	-	249,281	249,281	(249,281)	-
Support services	-	72,576	72,576	(72,576)	-
Noninstructional services	-	565	565	(565)	-
Total Expenditures	-	322,422	322,422	(322,422)	-
Excess (Deficiency) of Revenues over (under) Expenditures	-	-	-	-	-
Other Financing Sources (Uses):					
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2014	-	-	-	-	-
June 30, 2015	\$ -	\$ -	\$ -	\$ -	\$ -

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

JEFFERSON COUNTY SCHOOL DISTRICT

Required Supplementary Information

**Budgetary Comparison Schedule
21st Century Community Learning Fund
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues:				
Federal sources	\$ 250,000	\$ 257,351	\$ 257,351	\$ 7,351	\$ -
Total Revenues	250,000	257,351	257,351	7,351	-
Expenditures:					
Instruction	150,285	167,099	167,099	(16,814)	-
Support services	84,190	85,931	85,931	(1,741)	-
Noninstructional services	15,525	4,321	4,321	11,204	-
Total Expenditures	250,000	257,351	257,351	(7,351)	-
Excess (Deficiency) of Revenues over (under) Expenditures	-	-	-	-	-
Other Financing Sources (Uses):					
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2014	-	-	-	-	-
June 30, 2015	\$ -	\$ -	\$ -	\$ -	\$ -

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

Jefferson County School District

Schedule of the District's Proportionate Share of the Net Pension Liability

PERS

Last 10 Fiscal Years*

	<u>2015</u>
District's proportion of the net pension liability (asset)	\$ 13,713,461
District's proportionate share of the net pension liability (asset)	0.112978%
District's covered - employee payroll	6,900,419
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	198.733736%
Plan fiduciary net position as a percentage of the total pension liability	67.207687%

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

* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

Jefferson County School District
 Schedule of District Contributions
 PERS
 Last 10 Fiscal Years*

Contractually required contribution	\$	<u>2015</u> 1,135,060
Contributions in relation to the contractually required contribution		1,135,060
Contribution deficiency (excess)	\$	<u><u>-</u></u>
District's covered - employee payroll		7,206,730
Contributions as a percentage of covered - employee payroll		15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

Jefferson County School District

Notes to the Required Supplementary Information
For the Year Ended June 30, 2015

Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget amendments and revisions

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

Pension Schedules

(1) Changes of benefit terms

None.

(2) Changes of assumptions

None.

SUPPLEMENTARY INFORMATION

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U. S. DEPARTMENT OF AGRICULTURE</u>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 303,097
National School Lunch Program	10.555	669,725
Total Child Nutrition Cluster		<u>972,822</u>
Total passed-through the Mississippi Department of Education		<u>972,822</u>
Passed-through Jefferson County Board of Supervisors:		
Schools and Roads - Grants to States	10.665	36,022
Total passed-through Jefferson County Board of Supervisors		<u>36,022</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>1,008,844</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	30,259
TOTAL U.S. DEPARTMENT OF DEFENSE		<u>30,259</u>
<u>FEDERAL COMMUNICATIONS COMMISSION</u>		
Administered through Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	72,998
TOTAL FEDERAL COMMUNICATIONS COMMISSION		<u>72,998</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	893,721
Career and Technical Education - Basic Grants to States	84.048	71,373
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	588
Twenty-First Century Community Learning Centers	84.287	257,351
Rural Education	84.358	33,157
Improving Teacher Quality - State Grants	84.367	144,157
School Improvement Grants	84.377	322,422
Sub-total		<u>1,722,769</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	303,093
Special Education - Preschool Grants	84.173	11,589
Total Special Education Cluster		<u>314,682</u>
Total passed-through the Mississippi Department of Education		<u>2,037,451</u>
TOTAL U. S. DEPARTMENT OF EDUCATION		<u>2,037,451</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
Direct Program:		
Medical Assistance Program	93.778	37,145
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>37,145</u>
TOTAL FOR ALL FEDERAL AWARDS		<u>\$ 3,186,697</u>

Notes to Schedule

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

Jefferson County School District

Schedule 2

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2015

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 10,034,691	7,015,697	760,506	753,746	1,504,742
Other	3,937,491	885,774	213,354	16,715	2,821,648
Total	\$ 13,972,182	7,901,471	973,860	770,461	4,326,390
Total number of students *	1,187				
Cost per student	\$ 11,771	6,657	820	649	3,645

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

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

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

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

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

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

OTHER INFORMATION

JEFFERSON COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

General Fund

Last Four Years

	2015	2014*	2013*	2012*
Revenues:				
Local sources	\$ 2,148,632	2,102,108	2,104,684	2,098,901
State sources	6,338,987	6,194,676	6,000,902	6,519,358
Federal sources	177,012	161,299	116,361	255,083
Sixteenth section sources	683,685	-	-	-
Total Revenues	<u>9,348,316</u>	<u>8,458,083</u>	<u>8,221,947</u>	<u>8,873,342</u>
Expenditures:				
Instruction	4,824,731	4,914,437	4,909,155	4,532,064
Support services	4,589,791	3,721,002	3,571,237	3,657,176
Noninstructional services	950	522	-	-
Total Expenditures	<u>9,415,472</u>	<u>8,635,961</u>	<u>8,480,392</u>	<u>8,189,240</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(67,156)</u>	<u>(177,878)</u>	<u>(258,445)</u>	<u>684,102</u>
Other Financing Sources (Uses):				
Bonds and notes issued	940,000	-	-	174,900
Insurance recovery	55,530	960	86,023	4,856
Operating transfers in	4,418	575,439	612,515	-
Operating transfers out	(299,637)	(381,278)	(674,022)	(622,287)
Other financing uses	-	-	(480)	-
Total Other Financing Sources (Uses)	<u>700,311</u>	<u>195,121</u>	<u>24,036</u>	<u>(442,531)</u>
Net Change in Fund Balances	<u>633,155</u>	<u>17,243</u>	<u>(234,409)</u>	<u>241,571</u>
Fund Balances:				
July 1, as previously reported	1,205,673	1,188,430	1,418,889	1,178,380
Fund reclassification	2,694,848	-	-	-
Prior period adjustment	280	-	3,950	(1,062)
July 1, as restated	<u>3,900,801</u>	<u>1,188,430</u>	<u>1,422,839</u>	<u>1,177,318</u>
June 30,	<u>\$ 4,533,956</u>	<u>1,205,673</u>	<u>1,188,430</u>	<u>1,418,889</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

JEFFERSON COUNTY SCHOOL DISTRICT

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

"UNAUDITED"

	2015	2014*	2013*	2012*
Revenues:				
Local sources	\$ 2,214,528	2,170,362	2,305,050	2,346,948
State sources	7,278,647	7,198,010	6,634,551	7,161,170
Federal sources	3,189,972	2,818,799	2,839,004	3,429,153
Sixteenth section sources	777,912	760,536	583,251	766,818
Total Revenues	<u>13,461,059</u>	<u>12,947,707</u>	<u>12,361,856</u>	<u>13,704,089</u>
Expenditures:				
Instruction	6,734,008	6,683,980	6,723,791	6,723,117
Support services	5,753,703	4,714,230	4,639,049	4,804,922
Noninstructional services	1,101,025	991,848	907,264	915,678
Sixteenth section	57,265	31,850	30,545	43,111
Debt service:				
Principal	294,117	371,599	366,130	381,917
Interest	30,814	41,980	54,244	62,243
Other	1,250	1,250	1,000	1,000
Total Expenditures	<u>13,972,182</u>	<u>12,836,737</u>	<u>12,722,023</u>	<u>12,931,988</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(511,123)</u>	<u>110,970</u>	<u>(360,167)</u>	<u>772,101</u>
Other Financing Sources (Uses):				
Bonds and notes issued	940,000	-	-	174,900
Insurance recovery	55,530	960	86,023	4,856
Operating transfers in	447,697	1,086,585	1,401,332	622,287
Operating transfers out	(447,697)	(1,086,585)	(1,401,332)	(622,287)
Other financing uses	-	-	(480)	-
Total Other Financing Sources (Uses)	<u>995,530</u>	<u>960</u>	<u>85,543</u>	<u>179,756</u>
Net Change in Fund Balances	<u>484,407</u>	<u>111,930</u>	<u>(274,624)</u>	<u>951,857</u>
Fund Balances:				
July 1, as previously reported	5,263,161	5,154,208	5,430,383	4,476,751
Prior period adjustments	280	-	3,950	(1,062)
July 1, as restated	<u>5,263,441</u>	<u>5,154,208</u>	<u>5,434,333</u>	<u>4,475,689</u>
Increase (Decrease) in inventory	10,132	(2,977)	(5,501)	2,837
June 30,	<u>\$ 5,757,980</u>	<u>5,263,161</u>	<u>5,154,208</u>	<u>5,430,383</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Jefferson County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson County School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Jefferson County School District's basic financial statements, and have issued our report thereon dated January 22, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
January 22, 2016

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Jefferson County School District

Report on Compliance for Each Major Federal Program

We have audited Jefferson County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Jefferson County School District's major federal programs for the year ended June 30, 2015. The Jefferson County School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Jefferson County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Jefferson County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Jefferson County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

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

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
January 22, 2016

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Jefferson County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson County School District as of and for the year ended June 30, 2015, which collectively comprise Jefferson County School District's basic financial statements and have issued our report thereon dated January 22, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
January 22, 2016

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Jefferson County School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553 & 10.555	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies
84.377	School Improvement Grants

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

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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