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JEFFERSON DAVIS COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2015

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT



WATKINS, WARD AND STAFFORD

Professional Limited Liability Company
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INDEPENDENT AUDITORS' REPORT

Superintendent and School Board
Jefferson Davis County School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

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

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

Opinion

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

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, the Schedule of the District's Proportionate

Share of the Net Pension Liability, and the Schedule of District Contributions on pages 5-12, 41-43, 44 and 45, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jefferson Davis County School District's 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 February 8, 2016, on our consideration of the Jefferson Davis County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jefferson Davis County School District's internal control over financial reporting and compliance.

Watkins, Ward & Stafford PLLC
Jackson, Mississippi
February 8, 2016

Watkins Ward and Stafford, PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following discussion and analysis of Jefferson Davis County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 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 financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2015 decreased \$16,428,772, including a prior period adjustment of (\$17,827,548), which represents a 39% decrease from fiscal year 2014. Total net position for 2014 increased \$1,254,552, which represents a 3% increase from fiscal year 2013.
- General revenues amounted to \$13,589,456 and \$14,596,922, or 76% and 78% 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 \$4,319,715, or 24% of total revenues for 2015, and \$4,076,983, or 22% of total revenues for 2014.
- The District had \$16,510,395 and \$17,419,353 in expenses for fiscal years 2015 and 2014; only \$4,319,715 for 2015 and \$4,076,983 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$13,589,456 for 2015 and \$14,596,922 for 2014 were adequate to provide for these programs.
- Among major funds, the General Fund had \$11,826,372 in revenues and \$11,629,271 in expenditures for 2015, and \$12,374,746 in revenues and \$12,796,242 in expenditures in 2014. The General Fund's fund balance increased by \$419,566 from 2014 to 2015, and decreased by \$511,058 from 2013 to 2014.
- Capital assets, net of accumulated depreciation, decreased by \$307,640 for 2015 and decreased by \$122,787 for 2014. The decrease for 2015 was due primarily to the increase in accumulated depreciation.
- Long-term debt increased by \$255,052 for 2015 and decreased by \$544,979 for 2014. The increase for 2015 was due primarily to the issuance of three mill notes. The liability for compensated absences decreased by \$14,948 for 2015 and decreased by \$7,979 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 financial statements. This report also contains required supplementary information, supplementary information, and other information.

Government-wide Financial Statements

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

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

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-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.

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

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 financial statements can be found immediately following the basic financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board. 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 exceeded liabilities and deferred inflows of resources by \$25,345,694 as of June 30, 2015.

The District's financial position is a product of several financial transactions including the net result of

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

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.

**Table 1
Condensed Statement of Net Position**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Current assets	\$ 8,839,489	\$ 8,351,607	5.84 %
Restricted assets	28,959,846	27,450,643	5.50 %
Capital assets, net	8,102,265	8,409,905	(3.66) %
Total assets	<u>45,901,600</u>	<u>44,212,155</u>	3.82 %
Deferred outflows of resources	<u>1,959,240</u>	<u>6,330</u>	30,851.66 %
Current liabilities	112,103	45,613	145.77 %
Long-term debt outstanding	2,653,458	2,398,406	10.63 %
Net pension liability	17,249,188	-	N/A %
Total liabilities	<u>20,014,749</u>	<u>2,444,019</u>	718.93 %
Deferred inflows of resources	<u>2,500,397</u>	<u>-</u>	N/A %
Net position:			
Net investment in capital assets	6,385,013	6,096,235	4.74 %
Restricted	28,519,051	28,073,612	1.59 %
Unrestricted	(9,558,370)	7,604,619	(225.69) %
Total net position (deficit)	<u>\$ 25,345,694</u>	<u>\$ 41,774,466</u>	(39.33) %

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)	\$ (9,558,370)
Less unrestricted deficit in net position resulting from recognition of the net pension Liability	17,795,093
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 8,236,723</u>

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

- Decrease in net capital assets in the amount of \$307,640.
- 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 \$880,000.
- The principal retirement of \$610,000 of long-term debt.
- Net Pension Liability is \$17,249,188

JEFFERSON DAVIS 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 \$17,909,171 and \$18,673,905, respectively. The total cost of all programs and services was \$16,510,395 for 2015 and \$17,419,353 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	\$ 443,357	\$ 446,657	(0.74) %
Operating grants and contributions	3,876,358	3,630,326	6.78 %
General revenues:			
Property taxes	4,383,066	3,988,970	9.88 %
Grants and contributions not restricted	7,709,911	8,893,244	(13.31) %
Investment earnings	108,758	123,860	(12.19) %
Sixteenth section sources	1,268,302	1,464,433	(13.39) %
Other	119,419	126,415	(5.53) %
Total revenues	<u>17,909,171</u>	<u>18,673,905</u>	(4.10) %
Expenses:			
Instruction	7,098,724	8,064,927	(11.98) %
Support services	6,717,026	7,931,192	(15.31) %
Non-instructional	1,112,651	1,147,772	(3.06) %
Sixteenth section	243,803	206,461	18.09 %
Pension expense	1,293,875	-	N/A %
Interest on long-term liabilities	44,316	69,001	(35.77) %
Total expenses	<u>16,510,395</u>	<u>17,419,353</u>	(5.22) %
Increase (Decrease) in net position	<u>1,398,776</u>	<u>1,254,552</u>	11.50 %
Net Position, July 1, as previously reported	<u>41,774,466</u>	<u>40,519,914</u>	3.10 %
Prior Period Adjustment	<u>(17,827,548)</u>	<u>-</u>	N/A %
Net Position, July 1, as restated	<u>23,946,918</u>	<u>40,519,914</u>	(40.90) %
Net Position (deficit), June 30	<u>\$ 25,345,694</u>	<u>\$ 41,774,466</u>	(39.33) %

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 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.

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

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		Percentage Change
	<u>2015</u>	<u>2014</u>	
Instruction	\$ 7,098,724	\$ 8,064,927	(11.98) %
Support services	6,717,026	7,931,192	(15.31) %
Non-instructional	1,112,651	1,147,772	(3.06) %
Sixteenth section	243,803	206,461	18.09 %
Pension Expense	1,293,875	-	N/A %
Interest on long-term liabilities	44,316	69,001	(35.77) %
Total expenses	<u>\$ 16,510,395</u>	<u>\$ 17,419,353</u>	(5.22) %
	<u>Net (Expense) Revenue</u>		Percentage Change
	<u>2015</u>	<u>2014</u>	
Instruction	\$ (5,739,421)	\$ (6,617,807)	(13.27) %
Support services	(5,020,091)	(6,530,949)	(23.13) %
Non-instructional	78,774	33,126	137.80 %
Sixteenth section	(171,751)	(157,739)	8.88 %
Pension Expense	(1,293,875)	-	N/A %
Interest on long-term liabilities	(44,316)	(69,001)	(35.77) %
Total net (expense) revenue	<u>\$ (12,190,680)</u>	<u>\$ (13,342,370)</u>	(8.63) %

- Net cost of governmental activities (\$12,190,680 for 2015 and \$13,342,370 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$4,383,066 for 2015 and \$3,988,970 for 2014) and state and federal revenues (\$7,709,911 for 2015 and \$8,893,244 for 2014). In addition, there was \$1,268,302 and \$1,464,433 in Sixteenth Section sources for 2015 and 2014, respectively.
- Investment earnings amounted to \$108,758 for 2015 and \$123,860 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 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 \$37,697,204, an increase of \$1,928,596, which includes an increase in inventory of \$3,858. \$7,452,727, or 20%, of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$30,244,477, or 80%, is either nonspendable, restricted, committed or assigned to indicate that it is not available for

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

spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$419,566. The fund balance of Other Governmental Funds showed an increase in the amount of \$827,112, which includes an increase in inventory of \$3,858. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Part A Fund	no increase or decrease
USDA Rural Utilities Ser. Grant Fund	no increase or decrease
Sixteenth Section Principal Fund	\$ 681,918

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 \$16,030,056, including land, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$319,010 from 2014 due primarily to the purchase of various items of mobile equipment and furniture and equipment. Total accumulated depreciation as of June 30, 2015, was \$7,927,791, and total depreciation expense for the year was \$631,116, resulting in total net capital assets of \$8,102,265.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 46,600	\$ 46,600	0.00 %
Buildings	5,975,292	6,136,441	(2.63) %
Building improvements	559,419	603,178	(7.25) %
Improvements other than buildings	136,524	147,988	(7.75) %
Mobile equipment	961,818	1,110,643	(13.40) %
Furniture and equipment	422,612	365,055	15.77 %
Total	\$ 8,102,265	\$ 8,409,905	(3.66) %

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 \$2,653,458 in outstanding long-term debt, of which \$592,173 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 \$880,000. The District made principal payments totaling \$610,000 on outstanding long-term debt. The liability for compensated absences decreased \$14,948 from the prior year.

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

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Limited obligation refunding bonds payable	\$ 1,443,000	\$ 1,783,000	(19.07) %
Certificates of participation refunding payable	267,000	330,000	(19.09) %
Three mill notes payable	880,000	207,000	325.12 %
Compensated absences payable	63,458	78,406	(19.06) %
Total	<u>\$ 2,653,458</u>	<u>\$ 2,398,406</u>	10.63 %

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

CURRENT ISSUES

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT

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

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 7,606,449
Due from other governments	1,182,483
Accrued interest receivable	20,435
Other receivables, net	240
Inventories	29,882
Restricted assets	28,959,846
Capital assets, net of accumulated depreciation	8,102,265
Total Assets	<u>45,901,600</u>
Deferred Outflows of Resources	
Deferred outflow from advance refunding debt	4,748
Deferred outflow related to pensions	1,954,492
	<u>1,959,240</u>
Liabilities	
Accounts payable and accrued liabilities	102,131
Interest payable on long-term liabilities	9,972
Long-term liabilities, due within one year:	
Capital related liabilities	589,000
Non-capital related liabilities	3,173
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,001,000
Non-capital related liabilities	60,285
Net Pension Liability	17,249,188
Total Liabilities	<u>20,014,749</u>
Deferred Inflows of Resources	
Deferred inflow related to pension	2,500,397
	<u>2,500,397</u>
Net Position	
Net investment in capital assets	6,385,013
Restricted for:	
Expendable:	
School-based activities	223,636
Debt service	426,215
Forestry improvements	200,336
Unemployment benefits	40,249
Non-expendable:	
Sixteenth section	27,628,615
Unrestricted	(9,558,370)
Total Net Position	<u>\$ 25,345,694</u>

The accompanying notes to financial statements are an integral part of these financial statements.

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 7,098,724	243,157	1,116,146		(5,739,421)
Support services	6,717,026		1,696,935		(5,020,091)
Non-instructional	1,112,651	128,148	1,063,277		78,774
Sixteenth section	243,803	72,052			(171,751)
Pension expense	1,293,875				(1,293,875)
Interest on long-term liabilities	44,316				(44,316)
Total Governmental Activities	\$ 16,510,395	443,357	3,876,358	0	(12,190,680)
General Revenues:					
Taxes:					
					4,170,242
					212,824
Unrestricted grants and contributions:					
					7,520,091
					189,820
					108,758
					1,268,302
					119,419
					<u>13,589,456</u>
					<u>1,398,776</u>
					41,774,466
					<u>(17,827,548)</u>
					23,946,918
					<u>\$ 25,345,694</u>

The accompanying notes to financial statements are an integral part of these financial statements.

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Governmental Funds

Balance Sheet
June 30, 2015

Exhibit C

	Major Funds					Total Governmental Funds
	General Fund	Title I Part A Fund	USDA Rural Utilities Grant Fund	Sixteenth Section Principal Fund	Other Governmental Funds	
Assets						
Cash and cash equivalents	\$ 6,679,188			7,840,640	1,795,261	16,315,089
Cash with fiscal agents				1,939,882	187,696	2,127,578
Investments				18,123,628	0	18,123,628
Due from other governments	194,156	178,748	446,938	4,334	358,307	1,182,483
Accrued interest receivable				20,435		20,435
Other receivables				240		240
Due from other funds	754,058				10,697	764,755
Inventories					29,882	29,882
Total assets	7,627,402	178,748	446,938	27,929,159	2,381,843	38,564,090
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	49,259				52,872	102,131
Due to other funds		178,748	446,938		139,069	764,755
Total Liabilities	49,259	178,748	446,938		191,941	866,886
Fund Balances:						
Nonspendable:						
Inventory					29,882	29,882
Permanent fund principal				27,628,615		27,628,615
Restricted:						
Debt service					436,187	436,187
Forestry improvement purposes					200,336	200,336
Grant activities					193,754	193,754
Unemployment benefits					40,249	40,249
Capital purchases, transportation					868,000	868,000
Assigned:						
School Activities				300,544		300,544
Capital Improvement					421,494	421,494
Activity funds	125,416					125,416
Unassigned	7,452,727					7,452,727
Total Fund Balances	7,578,143	0	0	27,929,159	2,189,902	37,697,204
Total Liabilities, deferred inflows of resources and Fund Balances	\$ 7,627,402	178,748	446,938	27,929,159	2,381,843	38,564,090

The accompanying notes to financial statements are an integral part of these financial statements.

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position **Exhibit C-1**
June 30, 2015

Total fund balances for governmental funds **\$ 37,697,204**

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	\$ 46,600	
Buildings	9,606,308	
Building improvements	1,297,341	
Improvements other than buildings	286,618	
Mobile equipment	2,765,427	
Furniture and equipment	2,027,762	
Accumulated depreciation	<u>(7,927,791)</u>	8,102,265

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	(17,249,188)	
Deferred outflows and inflows related to pensions are applicable to future periods and, therefore, are not reported in the funds		
Deferred outflows of resources related to pensions	1,954,492	
Deferred inflows of resources related to pensions	<u>(2,500,397)</u>	(17,795,093)

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 refunding bonds	(1,443,000)	
Notes Payable	(880,000)	
Cetificates of Participation	(267,000)	
Compensated absences	(63,458)	
Unamortized charges	4,748	
Accrued interest payable	<u>(9,972)</u>	<u>(2,658,682)</u>

Net Position of governmental activities **\$ 25,345,694**

The accompanying notes to financial statements are an integral part of these financial statements.

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Exhibit D

For the Year Ended June 30, 2015

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Part A Fund	USDA Rural Utilities Grant Fund	Sixteenth Section Principal Fund		
Revenues:						
Local sources	\$ 4,471,827				418,820	4,890,647
State sources	6,508,865				1,443,791	7,952,656
Federal sources	312,190	1,064,278	446,938		1,810,208	3,633,614
Sixteenth section sources	533,490			813,836	84,928	1,432,254
Total Revenues	11,826,372	1,064,278	446,938	813,836	3,757,747	17,909,171
Expenditures:						
Instruction	6,378,793	392,157			957,188	7,728,138
Support services	5,137,401	473,982	446,938		1,028,781	7,087,102
Noninstructional services	3,750	26,695			1,120,212	1,150,657
Sixteenth section	109,327			82,952	51,524	243,803
Debt service:						
Principal					610,000	610,000
Interest					31,483	31,483
Other					13,250	13,250
Total Expenditures	11,629,271	892,834	446,938	82,952	3,812,438	16,864,433
Excess (Deficiency) of Revenues over (under) Expenditures	197,101	171,444		730,884	(54,691)	1,044,738
Other Financing Sources (Uses):						
Bonds and notes issued					880,000	880,000
Operating transfers in	234,110				228,106	462,216
Operating transfers out	(11,645)	(171,444)		(48,966)	(230,161)	(462,216)
Total Other Financing Sources (Uses)	222,465	(171,444)		(48,966)	877,945	880,000
Net Change in Fund Balances	419,566			681,918	823,254	1,924,738
Fund Balances:						
July 1, 2014	7,158,577			27,247,241	1,362,790	35,768,608
Increase (Decrease) in reserve for inventory					3,858	3,858
June 30, 2015	\$ 7,578,143			27,929,159	2,189,902	37,697,204

The accompanying notes to financial statements are an integral part of these financial statements.

JEFFERSON DAMS 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 \$ 1,924,738

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

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

Capital outlay	\$ 317,520	
Loss on disposal of assets	(3,804)	
Depreciation expense	<u>(631,116)</u>	(317,400)

2. 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	(880,000)	
Payments of debt principal	610,000	
Accrued interest payable	<u>1,999</u>	(268,001)

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

Pension expense - current year	(1,293,875)	
Deferred outflows - pensions resulting from contribution made subsequent to the measurement date.	<u>1,336,090</u>	42,215

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

Change in compensated absences	14,948	
Change in inventory reserve	3,858	
Amortization of deferred charges, premium and discounts	<u>(1,582)</u>	<u>17,224</u>

Change in Net Position of governmental activities \$ 1,398,776

The accompanying notes to financial statements are an integral part to these financial statements.

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2015

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 509,965
Total Assets	<u>\$ 509,965</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 473,067
Due to student clubs	36,898
Total Liabilities	<u>\$ 509,965</u>

The accompanying notes to financial statements are an integral part of these financial statements.

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

Blended component unit

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

The Authority is governed by a five member board which is appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, fund balances, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see Note 12).

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 eliminated from the government-wide statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

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

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

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to Financial Statements

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

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

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

The school district reports the following major governmental funds:

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

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

USDA Rural Utilities Grant Fund - This special revenue fund is financed with federal funds and is used to account for the activities associated with the Distance Learning and Telemedicine grant administered by the U.S. Department of Agriculture.

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

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 assets and liabilities only. 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.

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

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

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to Financial Statements

resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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

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

FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

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

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to Financial Statements

is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

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

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to Financial Statements

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to Financial Statements

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

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 deferred outflows which are presented as a deferred outflow from advance refunding of debt and a deferred outflow related to pensions. See Note 13 for further details.

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 13 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 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

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to Financial Statements

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. Currently there is no committed fund balance for this school district.

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

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

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

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

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, Cash with Fiscal Agents, and Investments

The district follows the practice of aggregating the cash assets of various funds to maximize cash

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to Financial Statements

management efficiency and returns. Restrictions on deposits and investments are imposed by statutes as follows:

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with 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 \$16,315,089 and \$509,965, respectively. The carrying amount of the deposits is reported in the government-wide statements as cash and cash equivalents of \$7,606,449 and a portion of restricted assets in the amount of \$8,708,640 (See Note 4).

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 \$17,999,715 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 \$2,127,578.

Investments

As of June 30, 2015, the district had the following investments.

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to Financial Statements

Investment Type	Rating	Maturities (in years)	Fair Value
Federal National Mortgage Association	N/A	less than 1	\$ 227,467
Federal National Mortgage Association	Aaa	1 to 5	1,668,882
Federal National Mortgage Association	N/A	5 to 10	2,288,910
Federal National Mortgage Association	N/A	10 to 15	1,518,541
US Treasury Notes	Aaa	less than 1	452,771
US Treasury Notes	Aaa	1 to 5	1,996,346
Federal Home Loan Bank	Aaa	1 to 5	2,305,066
Federal Home Loan Mortgage Corp	Aaa	less than 1	100,371
Federal Home Loan Mortgage Corp	Aaa	1 to 5	1,855,608
Fidelity Investment Bonds and Notes	Various	1 to 5	4,086,503
Fidelity Investment Bonds and Notes	Various	5 to 10	1,609,569
Government National Mortgage Association	N/A	Various	13,594
Total			<u>\$ 18,123,628</u>

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2015, the district did not have any investments to which this would apply.

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments.

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 Part A Fund	\$ 178,748
	USDA Rural Utilities Grant Fund	446,938
	Other governmental funds	128,372
Other governmental funds	Other governmental funds	<u>10,697</u>
Total		<u>\$ 764,755</u>

The primary purpose of the inter-fund loans was to eliminate deficit cash balances in certain

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to Financial Statements

federal program funds as part of normal year end closing adjustments. All balances are expected to be repaid within one year.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 11,645
Title I Part A Fund	General Fund	30,255
	Other governmental funds	141,189
Sixteenth Section Principal Fund	General Fund	48,966
Other governmental funds	General Fund	154,889
	Other governmental funds	<u>75,272</u>
Total		<u>\$ 462,216</u>

The transfer out of the General Fund was for the purpose of funding unemployment benefits. The transfer from the Title I Part A Fund was to finance the consolidated administrative cost fund in the Other Governmental Funds and indirect costs to the General Fund. The transfer from the Sixteenth Section Principal Fund to the General Fund was for accumulated earnings on investments. The transfers from Other Governmental Funds to the General Fund were for indirect costs and excess escrow funds from Hancock Bank and the transfers to Other Governmental Funds were routine operating transfers.

Note 4 – Restricted Assets

The restricted assets represent the cash balance, cash with fiscal agent balance, and investment balance, totaling \$7,840,640, \$1,939,882 and \$18,123,628, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash with fiscal agent balance totaling \$187,696 of the MAEP Limited Obligation Bond Fund. Also restricted assets represent the cash balance totaling \$868,000 of unspent bond proceeds.

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to Financial Statements

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	\$ 46,600				\$ 46,600
Total non-depreciable capital assets	46,600	-	-	-	46,600
<u>Depreciable capital assets:</u>					
Buildings	9,606,308				9,606,308
Building improvements	1,297,341				1,297,341
Improvements other than buildings	286,618				286,618
Mobile equipment	2,763,537	10,160	8,270		2,765,427
Furniture and equipment	1,710,642	307,360		9,760	2,027,762
Total depreciable capital assets	15,664,446	317,520	8,270	9,760	15,983,456
<u>Less accumulated depreciation for:</u>					
Buildings	3,469,867	161,149			3,631,016
Building improvements	694,163	43,759			737,922
Improvements other than buildings	138,630	11,464			150,094
Mobile equipment	1,652,894	155,181	4,466		1,803,609
Furniture and equipment	1,345,587	259,563			1,605,150
Total accumulated depreciation	7,301,141	631,116	4,466	-	7,927,791
Total depreciable capital assets, net	8,363,305	(313,596)	3,804	9,760	8,055,665
Governmental activities capital assets, net	\$ 8,409,905	\$ (313,596)	\$ 3,804	\$ 9,760	\$ 8,102,265

An adjustment was needed to add an asset purchased in prior year.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 196,855
Support services	406,156
Non-instructional	28,105
Total depreciation expense - Governmental activities	\$ 631,116

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 refunding bonds payable	\$ 1,783,000		\$ 340,000	\$ 1,443,000	\$ 345,000
B. Certificates of participation refunding payable	330,000		63,000	267,000	64,000
C. Three mill notes payable	207,000	880,000	207,000	880,000	180,000
D. Compensated absences payable	78,406		14,948	63,458	3,173
Total	\$ 2,398,406	\$ 880,000	\$ 624,948	\$ 2,653,458	\$ 592,173

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to Financial Statements

A. Limited obligation refunding 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 2013	1.36%	9/12/2013	2/1/2018	\$ 1,783,000	\$ 1,443,000
Total				<u>\$ 1,783,000</u>	<u>\$ 1,443,000</u>

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 345,000	\$ 17,279	\$ 362,279
2017	353,000	12,532	365,532
2018	745,000	7,657	752,657
Total	<u>\$ 1,443,000</u>	<u>\$ 37,468</u>	<u>\$ 1,480,468</u>

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

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

B. Certificates of participation refunding payable

As more fully explained in Note 12, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Certificates of participation refunding payable	2.09%	6/1/2012	4/1/2019	\$ 454,000	\$ 267,000
Total				<u>\$ 454,000</u>	<u>\$ 267,000</u>

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to Financial Statements

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 64,000	\$ 5,580	\$ 69,580
2017	66,000	4,243	70,243
2018	68,000	2,863	70,863
2019	69,000	1,442	70,442
Total	\$ 267,000	\$ 14,128	\$ 281,128

This debt will be retired from the Lease Purchase Fund (Debt Service Fund).

C. 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 2012	1.28%	5/1/2012	6/1/2015	\$ 790,000	\$ -
Limited Tax Note, Series 2015	0.48%-1.98%	6/15/2015	6/15/2020	880,000	880,000
Total				\$ 1,670,000	\$ 880,000

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 180,000	\$ 11,054	\$ 191,054
2017	185,000	10,190	195,190
2018	190,000	8,377	198,377
2019	195,000	5,850	200,850
2020	130,000	2,574	132,574
Total	\$ 880,000	\$ 38,045	\$ 918,045

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

The District has pledged the EEF Buildings and Buses funds to pay a portion of the debt service on the 2015 Three Mill Note through fiscal year 2020. The District's EEF allotment for buildings and buses in the current year is approximately \$76,170. The District withdrew the prior pledge of EEF funds to the certificates of participation refunding payable.

D. Compensated absences payable

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

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to Financial Statements

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 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 \$1,336,090, \$1,367,021 and \$1,207,987, 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 \$17,249,188 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 0.142107 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$1,293,875. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to Financial Statements

pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 269,082	\$
Net difference between projected and actual earnings on pension plan investments		2,500,397
Difference between net impact of entries and calculated balance of net pension liability	349,320	
District contributions subsequent to the measurement date	1,336,090	
Total	\$ 1,954,492	\$ 2,500,397

\$1,336,090 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	\$ (402,652)
2017	(402,652)
2018	(451,593)
2019	(625,098)

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 DAVIS COUNTY SCHOOL DISTRICT
Notes to Financial Statements

<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	<u>100 %</u>	

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:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
District's proportionate share of the net pension liability	\$ 23,515,787	\$ 17,249,188	\$ 12,021,913

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 DAVIS COUNTY SCHOOL DISTRICT
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Year Ending June 30	Amount
2016	\$ 82,910
2017	80,582
2018	41,898
2019	22,350
2020	11,540
2021 – 2025	36,683
2026 – 2030	30,845
2031 – 2035	28,269
2036 – 2040	9,792
2041 – 2045	4,510
Thereafter	1,054
Total	<u>\$ 350,433</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)	\$ (19,204,329)
Deferred outflows - contributions made during fiscal year 2014	<u>1,367,021</u>
Total prior period adjustment related to GASB 68 and 71	\$ (17,837,308)
2. To record a capital asset purchased in the prior year	<u>9,760</u>
Total	<u>\$ (17,827,548)</u>

Note 10 – Contingencies

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

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

Note 11 – Risk Management

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

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to Financial Statements

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.

Note 12 – Trust Certificates

A trust agreement was originally dated April 1, 1999, was executed by and between the school district and Trustmark National Bank, as trustees. However it was refunded for the amount of \$454,000 on June 1, 2012 maturing on April 1, 2019.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$950,000 originally, but was later refunded as described above for the construction and renovation of school buildings and related facilities and equipment (the "project").

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

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

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

Note 13 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$9,558,370) includes the effect of deferred inflows/outflows of resources related to pensions and the deferred outflow of resources from the advance refunding of debt. A portion of the deferred outflow of resources related to pensions in the amount of \$1,336,090 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The \$618,402 balance of the deferred outflow of resources related to pensions at June 30, 2015 will be recognized in pension expense over the next 3 years. The \$2,500,397 balance of the deferred inflow of resources related to pensions at June 30, 2015 will be recognized in pension expense over the next 4 years. The \$4,748 balance of the deferred outflow of resources from the advance refunding of debt will be amortized over the next 3 years.

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to Financial Statements

Note 14 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Jefferson Davis County School District evaluated the activity of the district through February 8, 2016, and determined that there were no subsequent events that should be noted in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

JEFFERSON DAMS 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	\$ 4,262,929	4,472,027	4,471,827	209,098	(200)
State sources	6,604,242	6,508,865	6,508,865	(95,377)	-
Federal sources	666,833	312,190	312,190	(354,643)	-
Sixteenth section sources		533,490	533,490	533,490	-
Total Revenues	11,534,004	11,826,572	11,826,372	292,568	(200)
Expenditures:					
Instruction	6,497,930	6,378,793	6,378,793	119,137	-
Support services	5,561,640	5,137,401	5,137,401	424,239	-
Noninstructional services	5,000	3,750	3,750	1,250	-
Sixteenth section		109,327	109,327	(109,327)	-
Debt service:					
Principal	10,000			10,000	-
Interest	2,000			2,000	-
Total Expenditures	12,076,570	11,629,271	11,629,271	447,299	-
Excess (Deficiency) of Revenues over (under) Expenditures	(542,566)	197,301	197,101	739,867	(200)
Other Financing Sources (Uses):					
Refunding bonds issued		41,825		41,825	(41,825)
Operating transfers in	654,772	1,594,539	234,110	939,767	(1,360,429)
Operating transfers out	(89,594)	(1,413,899)	(11,645)	(1,324,305)	1,402,254
Total Other Financing Sources (Uses)	565,178	222,465	222,465	(342,713)	-
Net Change in Fund Balances	22,612	419,766	419,566	397,154	(200)
Fund Balances:					
July 1, 2014	5,093,746	7,158,577	7,158,577	2,064,831	-
June 30, 2015	\$ 5,116,358	7,578,343	7,578,143	2,461,985	(200)

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

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT

Required Supplementary Information

**Budgetary Comparison Schedule
Title I Part A 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	\$ 1,385,316	1,064,278	1,064,278	(321,038)	-
Total Revenues	1,385,316	1,064,278	1,064,278	(321,038)	-
Expenditures:					
Instruction	369,229	392,157	392,157	(22,928)	-
Support services	704,520	473,982	473,982	230,538	-
Noninstructional services	44,834	26,695	26,695	18,139	-
Total Expenditures	1,118,583	892,834	892,834	225,749	-
Excess (Deficiency) of Revenues over (under) Expenditures	266,733	171,444	171,444	(95,289)	-
Other Financing Sources (Uses):					
Operating transfers out	(266,733)	(171,444)	(171,444)	95,289	-
Total Other Financing Sources (Uses)	(266,733)	(171,444)	(171,444)	95,289	-
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 DAVIS COUNTY SCHOOL DISTRICT

Required Supplementary Information

**Budgetary Comparison Schedule
USDA Rural Utilities 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	\$ -	446,938	446,938	446,938	-
Total Revenues	-	446,938	446,938	446,938	-
Expenditures:					
Support services	-	446,938	446,938	(446,938)	-
Total Expenditures	-	446,938	446,938	(446,938)	-
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 DAVIS COUNTY SCHOOL DISTRICT

Required Supplementary Information

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)	0.142107%
District's proportionate share of the net pension liability (asset)	\$ 17,249,188
District's covered-employee payroll	8,679,498
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	198.73%
Plan fiduciary net position as a percentage of the total pension liability	67%

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 DAVIS COUNTY SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

PERS

Last 10 Fiscal Years*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$ 1,336,090									
Contributions in relation to the contractually required contribution	\$ 1,336,090									
Contribution deficiency (excess)	\$ 0	0	0	0	0	0	0	0	0	0
District's covered-employee payroll	8,483,111									
Contributions as a percentage of covered-employee payroll	15.75%									

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

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2015

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTAL INFORMATION

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT

Supplementary Information

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2015

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 315,860
National school lunch program	10.555	771,198
Summer food service program for children	10.559	10,685
Total child nutrition cluster		<u>1,097,743</u>
Direct Program:		
USDA Distance Learning and Telemedicine Grant	10.855	446,938
Total passed-through Mississippi Department of Education		<u>1,544,681</u>
Total U.S. Department of Agriculture		<u>1,544,681</u>
<u>U.S. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.XXX	122,370
Total U.S. Department of Defense		<u>122,370</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	189,820
Total Federal Communications Commission		<u>189,820</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	1,064,278
Career and technical education - basic grants to states	84.048	25,662
Rehabilitation Services-Vocational Rehabilitation Grants to States	84.126	322
Rural education	84.358	25,870
Improving teacher quality-State Grants	84.367	177,186
Subtotal		<u>1,293,318</u>
Special education cluster:		
Special education - grants to states	84.027	447,618
Special education - preschool grants	84.173	35,807
Total special education cluster		<u>483,425</u>
Total passed-through Mississippi Department of Education		<u>1,776,743</u>
Total U.S. Department of Education		<u>1,776,743</u>
Total for All Federal Awards		<u>\$ 3,633,614</u>

NOTES TO SCHEDULE

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

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT

Supplementary Information

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

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 11,753,992	8,203,232	870,066	838,112	1,842,582
Other	5,110,441	1,027,189	217,430	15,105	3,850,717
Total	<u>\$ 16,864,433</u>	<u>9,230,421</u>	<u>1,087,496</u>	<u>853,217</u>	<u>5,693,299</u>
Total number of students *	<u>1,391</u>				
Cost per student	\$ 12,124	6,636	782	613	4,093

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 function: 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 DAVIS COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2015	2014*	2013*	2012*
Revenues:				
Local sources	\$ 4,471,827	4,100,469	3,885,678	3,388,740
State sources	6,508,865	6,760,357	6,824,446	6,682,937
Federal sources	312,190	1,131,209	191,928	423,763
Sixteenth section sources	533,490	382,711	534,849	450,995
Total Revenues	11,826,372	12,374,746	11,436,901	10,946,435
Expenditures:				
Instruction	6,378,793	6,363,687	6,340,984	5,974,091
Support services	5,137,401	6,389,761	4,957,035	5,426,311
Noninstructional services	3,750	3,750	3,809	104
Sixteenth section	109,327	36,794	105,851	
Facilities Acquisition & Construction				65,081
Debt service:				
Principal		-	24,896	47,982
Interest		1,000	2,624	7,756
Other		1,250		
Total Expenditures	11,629,271	12,796,242	11,435,199	11,521,325
Excess (Deficiency) of Revenues over (under) Expenditures	197,101	(421,496)	1,702	(574,890)
Other Financing Sources (Uses):				
Insurance recoveries		5,206	66,311	16,780
Sale of transportation equipment		5,400		5,839
Sale of Other Property				206
Operating transfers in	234,110	372,310	432,908	2,801,870
Operating transfers out	(11,645)	(472,478)	(22,442)	(5,152)
Total Other Financing Sources (Uses)	222,465	(89,562)	476,777	2,819,543
Net Change in Fund Balances	419,566	(511,058)	478,479	2,244,653
Fund Balances:				
Beginning of period, as previously reported	7,158,577	7,669,635	7,191,156	4,927,398
Prior period adjustments				19,105
Beginning of period, as restated	7,158,577	7,669,635	7,191,156	4,946,503
End of Period	\$ 7,578,143	7,158,577	7,669,635	7,191,156

*SOURCE - PRIOR YEAR AUDIT REPORTS

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2015	2014*	2013*	2012*
Revenues:				
Local sources	\$ 4,890,647	4,524,882	4,312,219	3,883,833
State sources	7,952,656	8,346,195	8,670,452	8,357,500
Federal sources	3,633,614	4,177,375	3,261,937	3,978,448
Sixteenth section sources	1,432,254	1,620,247	1,542,159	1,734,436
Total Revenues	17,909,171	18,668,699	17,786,767	17,954,217
Expenditures:				
Instruction	7,728,138	7,883,608	8,073,590	7,893,619
Support services	7,087,102	8,039,414	6,768,217	7,894,351
Noninstructional services	1,150,657	1,102,046	1,120,209	1,117,360
Sixteenth section	243,803	206,461	242,216	208,532
Facilities acquisition and construction				
Debt service:				
Principal	610,000	570,000	757,267	750,977
Interest	31,483	64,609	111,817	144,367
Other	13,250	27,102	1,250	23,184
Total Expenditures	16,864,433	17,893,240	17,074,566	18,032,390
Excess (Deficiency) of Revenues over (under) Expenditures	1,044,738	775,459	712,201	(78,173)
Other Financing Sources (Uses):				
Bonds and notes issued	880,000			1,244,000
Insurance recoveries		5,206	66,311	16,780
Refunding bond issued		1,783,000		
Payment to refunded bond escrow agent		(1,757,912)		
Payment to QSCB Debt Escrow Agent				(444,602)
Sale of transportation equipment		5,400		5,839
Sale of Other Property				206
Operating transfers in	462,216	1,058,788	641,981	3,153,284
Operating transfers out	(462,216)	(1,058,788)	(641,981)	(3,153,284)
Total Other Financing Sources (Uses)	880,000	35,694	66,311	822,223
Net Change in Fund Balances	1,924,738	811,153	778,512	744,050
Fund Balances:				
Beginning of period, as previously reported	35,768,608	34,966,870	34,182,820	33,423,957
Prior period adjustments				18,043
Beginning of period, as restated	35,768,608	34,966,870	34,182,820	33,442,000
Increase (Decrease) in reserve for inventory	3,858	(9,415)	5,538	(3,230)
End of Period	\$ 37,697,204	35,768,608	34,966,870	34,182,820

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



WATKINS, WARD AND STAFFORD
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 Certified Public Accountants

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INDEPENDENT AUDITORS' 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 Davis County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson Davis County School District, as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise Jefferson Davis County School District's basic financial statements, and have issued our report thereon dated February 8, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Jefferson Davis County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jefferson Davis County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Jefferson Davis County School District's internal control. A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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.

Watkins, Ward & Stafford PLLC
Jackson, Mississippi
February 8, 2016

Watkins Ward and Stafford, PCC



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**Independent Auditors' Report
 on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance
 Required by OMB Circular A-133**

Superintendent and School Board
 Jefferson Davis County School District

Report on Compliance for Each Major Federal Program

We have audited Jefferson Davis County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Jefferson Davis County School District's major federal programs for the year ended June 30, 2015. Jefferson Davis County School District's major federal programs are identified in the summary of Auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Jefferson Davis County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jefferson Davis County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Jefferson Davis County School District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of Jefferson Davis County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Jefferson Davis County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program

and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Jefferson Davis County School District's internal control over compliance.

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

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

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

Watkins, Ward & Stafford PLLC
Jackson, Mississippi
February 8, 2016

Watkins Ward and Stafford, PLLC

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS



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**INDEPENDENT AUDITORS' REPORT
 ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**

Superintendent and School Board
 Jefferson Davis County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson Davis County School District as of and for the year ended June 30, 2015, which collectively comprise Jefferson Davis County School District's basic financial statements and have issued our report thereon dated February 8, 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 insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

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

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

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

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.

Watkins, Ward & Stafford PLLC
 Jackson, Mississippi
 February 8, 2016

Watkins Ward and Stafford, PLLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2015

Section I: Summary of Auditors' Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of Auditors' report issued: | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified? | None reported |
| 3. | Noncompliance material to financial statements noted? | No |

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness identified? | No |
| | b. Significant deficiency identified? | None Reported |
| 5. | Type of Auditors' 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? | None reported |

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Cluster
10.855	USDA Distance Learning and Telemedicine
84.027; 84.173	Special Education Cluster

- | | | |
|----|--|-----------|
| 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 under *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.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Jefferson Davis County School District
1025 Third Street
Prentiss, MS 39474
Will L. Russell, Superintendent
Sheila Copeland, Director of Finance

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

As required by Section ____.315(b) of OMB Circular A-133, the Jefferson Davis County School District has prepared and hereby submits the following summary of prior year audit findings as of June 30, 2015:

<u>Findings</u>	<u>Status</u>
2014-001	Corrected