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JEFFERSON COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2016



JEFFERSON COUNTY SCHOOL DISTRICT
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INDEPENDENT AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT

Superintendent and School Board
Jefferson County School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson County School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Jefferson County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

INDEPENDENT AUDITORS' REPORT
CONTINUED

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 County School District, as of June 30, 2016, 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 5-13, 41-44, 45 and 46, 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 County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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.

INDEPENDENT AUDITORS' REPORT
CONTINUED

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 September 15, 2017, on our consideration of the Jefferson County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jefferson County School District's internal control over financial reporting and compliance.

TCPA, PLLC

THOMPSON CPA, PLLC
Jackson, Mississippi

September 15, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

**JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

The following discussion and analysis of Jefferson County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2016. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2016 decreased \$116,256, including a prior period adjustment of \$104,754, which represents a 2% decrease from fiscal year 2015. Total net position for 2015 decreased \$14,389,383, including a prior period adjustment of (\$14,855,545) due primarily to the effect of the net pension liability, which represents a 207% decrease from fiscal year 2014.
- General revenues amounted to \$10,017,319 and \$9,823,754, or 74% and 73% of all revenues for fiscal years 2016 and 2015, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,576,145, or 26% of total revenues for 2016, and \$3,692,835, or 27% of total revenues for 2015.
- The District had \$13,814,474 and \$13,050,427 in expenses for fiscal years 2016 and 2015; only \$3,576,145 for 2016 and \$3,692,835 for 2015 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$10,017,319 for 2016 were not adequate to provide for these programs. General revenues of \$9,823,754 for 2015 were adequate to provide for these programs.
- Among major funds, the General Fund had \$9,099,819 in revenues and \$9,045,840 in expenditures for 2016, and \$9,348,316 in revenues and \$9,415,472 in expenditures in 2015. The General Fund's fund balance increased by \$300,137 from 2015 to 2016, including a prior period adjustment of \$104,739, and increased by \$3,328,283 from 2014 to 2015, including a fund reclassification of \$2,694,848 and a prior period adjustment of \$280.
- Capital assets, net of accumulated depreciation, decreased by \$130,433 for 2016 and increased by \$343,184 for 2015. The decrease for 2016 was due to the disposal of mobile equipment coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$214,193 for 2016 and increased by \$645,883 for 2015. The decrease for 2016 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$21,046 for 2016 and decreased by \$10,812 for 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

**JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

The Statement of Net Position presents information on all the District's nonfiduciary assets, deferred outflows, liabilities, and deferred inflows, with the differences between them 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 COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$7,560,120 as of June 30, 2016.

**JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

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

Table 1 presents a summary of the District's net position at June 30, 2016 and June 30, 2015.

**Table 1
Condensed Statement of Net Position**

	June 30, 2016	June 30, 2015	Percentage Change
Current assets	\$ 5,947,736	\$ 5,577,683	6.63 %
Restricted assets	227,615	227,057	0.25 %
Capital assets, net	3,011,475	3,141,908	(4.15) %
Total assets	9,186,826	8,946,648	2.68 %
 Deferred outflows of resources	 3,307,813	 1,348,986	 145.21 %
 Current liabilities	 127,303	 76,314	 66.81 %
Long-term debt outstanding	1,508,054	1,743,293	(13.49) %
Net pension liability	17,831,917	13,713,461	30.03 %
Total liabilities	19,467,274	15,533,068	25.33 %
 Deferred inflows of resources	 587,485	 2,206,430	 (73.37) %
 Net position:			
Net investment in capital assets	2,339,975	2,314,408	1.10 %
Restricted	1,213,955	1,194,470	1.63 %
Unrestricted	(11,114,050)	(10,952,742)	(1.47) %
Total net position	\$ (7,560,120)	\$ (7,443,864)	(1.56) %

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (11,114,050)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	15,111,589
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 3,997,539</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 \$130,433.
- Issuance of a shortfall note in the amount of \$97,807.
- The principal retirement of \$312,000 of long-term debt.
- Recognition of the net pension liability in the amount of \$17,831,917.

**JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2016 and June 30, 2015 were \$13,593,464 and \$13,516,589, respectively. The total cost of all programs and services was \$13,814,474 for 2016 and \$13,050,427 for 2015.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2016 and June 30, 2015.

**Table 2
Changes in Net Position**

	Year Ended June 30, 2016	Year Ended June 30, 2015	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 244,778	\$ 310,438	(21.15) %
Operating grants and contributions	3,331,367	3,382,397	(1.51) %
General revenues:			
Property taxes	2,183,278	2,027,166	7.70 %
Grants and contributions not restricted	7,143,354	7,086,221	0.81 %
Investment earnings	13,706	14,363	(4.57) %
Sixteenth section sources	669,863	676,061	(0.92) %
Other	7,118	19,943	(64.31) %
Total revenues	13,593,464	13,516,589	0.57 %
Expenses:			
Instruction	5,891,771	6,092,430	(3.29) %
Support services	5,200,133	4,967,054	4.69 %
Non-instructional	916,319	1,030,064	(11.04) %
Sixteenth section	59,084	57,265	3.18 %
Pension expense	1,700,362	850,140	100.01 %
Interest on long-term liabilities	46,805	53,474	(12.47) %
Total expenses	13,814,474	13,050,427	5.85 %
Increase (Decrease) in net position	(221,010)	466,162	(147.41) %
Net Position, July 1, as previously reported	(7,443,864)	6,945,519	(207.18) %
Prior Period Adjustment	104,754	(14,855,545)	100.71 %
Net Position, July 1, as restated	(7,339,110)	(7,910,026)	7.22 %
Net Position, June 30	\$ (7,560,120)	\$ (7,443,864)	(1.56) %

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.

**JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

**Table 3
Net Cost of Governmental Activities**

	Total Expenses		Percentage Change
	2016	2015	
Instruction	\$ 5,891,771	\$ 6,092,430	(3.29) %
Support services	5,200,133	4,967,054	4.69 %
Non-instructional	916,319	1,030,064	(11.04) %
Sixteenth section	59,084	57,265	3.18 %
Pension Expense	1,700,362	850,140	100.01 %
Interest on long-term liabilities	46,805	53,474	(12.47) %
Total expenses	\$ 13,814,474	\$ 13,050,427	5.85 %

	Net (Expense) Revenue		Percentage Change
	2016	2015	
Instruction	\$ (4,501,521)	\$ (4,427,294)	1.68 %
Support services	(4,128,669)	(4,067,988)	1.49 %
Non-instructional	118,725	5,618	2,013.30 %
Sixteenth section	20,303	35,686	(43.11) %
Pension Expense	(1,700,362)	(850,140)	100.01 %
Interest on long-term liabilities	(46,805)	(53,474)	(12.47) %
Total net (expense) revenue	\$ (10,238,329)	\$ (9,357,592)	9.41 %

- Net cost of governmental activities (\$10,238,329 for 2016 and \$9,357,592 for 2015) was financed by general revenue, which is primarily made up of property taxes (\$2,183,278 for 2016 and \$2,027,166 for 2015) and state and federal revenues (\$7,143,354 for 2016 and \$7,086,221 for 2015). In addition, there was \$669,863 and \$676,061 in Sixteenth Section sources for 2016 and 2015, respectively.
- Investment earnings amounted to \$13,706 for 2016 and \$14,363 for 2015.

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 \$6,075,864, an increase of \$317,884, which includes a prior period adjustment of \$104,754 and an increase in inventory of \$9,948. \$4,810,113, or 79% 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 \$1,265,751, or 21% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

**JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

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 \$300,137, which includes a prior period adjustment of \$104,739. The fund balance of Other Governmental Funds showed an increase in the amount of \$9,201, which includes a prior period adjustment of \$15.

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

<u>Major Fund</u>		<u>Increase (Decrease)</u>
School Food Service Fund	\$	8,546
Title I-A Basic Fund		no increase or decrease
School Improvement Grant Fund		no increase or decrease

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2016, the District's total capital assets were \$7,815,679, including land, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$28,565 from 2015. Total accumulated depreciation as of June 30, 2016, was \$4,804,204, and total depreciation expense for the year was \$209,609, resulting in total net capital assets of \$3,011,475.

**Table 4
Capital Assets, Net of Accumulated Depreciation**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Land	\$ 19,828	\$ 19,828	0.00 %
Buildings	1,628,533	1,662,545	(2.05) %
Building improvements	446,414	480,754	(7.14) %
Improvements other than buildings	64,342	68,335	(5.84) %
Mobile equipment	801,351	833,917	(3.91) %
Furniture and equipment	51,007	76,529	(33.35) %
Total	\$ 3,011,475	\$ 3,141,908	(4.15) %

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

Debt Administration. At June 30, 2016, the District had \$1,508,054 in outstanding long-term debt, of which \$354,842 is due within one year. During the fiscal year, the District received proceeds from the issuance of a shortfall note in the amount of \$97,807. The District made principal payments totaling \$312,000 on outstanding long-term debt. The liability for compensated absences decreased \$21,046 from the prior year.

**JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 485,000	\$ 715,000	(32.17) %
Three mill notes payable	858,000	940,000	(8.72) %
Shortfall notes payable	97,807	-	N/A %
Compensated absences payable	67,247	88,293	(23.84) %
Total	<u>\$ 1,508,054</u>	<u>\$ 1,743,293</u>	<u>(13.49) %</u>

CURRENT ISSUES

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

JEFFERSON COUNTY SCHOOL DISTRICT

Statement of Net Position
June 30, 2016

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 4,918,917
Due from other governments	981,250
Other receivables, net	4,826
Inventories	42,743
Restricted assets	227,615
Capital assets, non-depreciable:	
Land	19,828
Capital assets, net of accumulated depreciation:	
Buildings	1,628,533
Building improvements	446,414
Improvements other than buildings	64,342
Mobile equipment	801,351
Furniture and equipment	51,007
Total Assets	<u>9,186,826</u>
 Deferred Outflows of Resources	
Deferred outflow related to pensions	<u>3,307,813</u>
Total Deferred Outflows of Resources	<u>3,307,813</u>
 Liabilities	
Accounts payable and accrued liabilities	99,445
Due to other governments	42
Interest payable on long-term liabilities	27,816
Long-term liabilities, due within one year:	
Capital related liabilities	160,000
Non-capital related liabilities	194,842
Long-term liabilities, due beyond one year:	
Capital related liabilities	511,500
Non-capital related liabilities	641,712
Net pension liability	<u>17,831,917</u>
Total Liabilities	<u>19,467,274</u>
 Deferred Inflows of Resources	
Deferred inflow related to pensions	<u>587,485</u>
Total Deferred Inflows of Resources	<u>587,485</u>
 Net Position	
Net investment in capital assets	2,339,975
Restricted for:	
Expendable:	
School-based activities	337,934
Debt service	260,541
Capital improvements	63,490
Forestry improvements	289,108
Unemployment benefits	33,951
Non-expendable:	
Sixteenth section	228,931
Unrestricted (deficit)	<u>(11,114,050)</u>
Total Net Position (deficit)	<u>\$ (7,560,120)</u>

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

JEFFERSON COUNTY SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2016

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 5,891,771	\$ 111,392	\$ 1,278,858	\$ -	\$ (4,501,521)
Support services	5,200,133	-	1,071,464	-	(4,128,669)
Non-instructional	916,319	53,999	981,045	-	118,725
Sixteenth section	59,084	79,387	-	-	20,303
Pension expense	1,700,362	-	-	-	(1,700,362)
Interest on long-term liabilities	46,805	-	-	-	(46,805)
Total Governmental Activities	\$ 13,814,474	\$ 244,778	\$ 3,331,367	\$ -	\$ (10,238,329)

General Revenues:

Taxes:

General purpose levies

2,068,254

Debt purpose levies

115,024

Unrestricted grants and contributions:

State

6,974,328

Federal

169,026

Unrestricted investment earnings

13,706

Sixteenth section sources

669,863

Other

7,118

Total General Revenues

10,017,319

Change in Net Position (deficit)

(221,010)

Net Position - Beginning, as previously reported (deficit)

(7,443,864)

Prior Period Adjustments

104,754

Net Position - Beginning, as restated (deficit)

(7,339,110)

Net Position (deficit) - Ending

\$ (7,560,120)

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

JEFFERSON COUNTY SCHOOL DISTRICT

Governmental Funds

Balance Sheet

Exhibit C

June 30, 2016

	Major Funds					Total
	General	School	Title I-A Basic	School	Other	Total
	Fund	Food Service	Fund	Improvement Grant	Governmental	Governmental
	Fund	Fund	Fund	Fund	Funds	Funds
Assets						
Cash and cash equivalents	\$ 4,103,934	\$ 322,756	\$ -	\$ -	\$ 714,840	\$ 5,141,530
Cash with fiscal agents	-	-	-	-	5,002	5,002
Due from other governments	229,639	14,209	270,142	67,217	398,388	979,595
Other receivables, net	4,826	-	-	-	-	4,826
Due from other funds	566,181	-	-	-	6,409	572,590
Inventories	-	42,743	-	-	-	42,743
Total assets	\$ 4,904,580	\$ 379,708	\$ 270,142	\$ 67,217	\$ 1,124,639	\$ 6,746,286
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 64,035	\$ 235	\$ 474	\$ -	\$ 34,701	\$ 99,445
Due to other funds	6,452	72,472	269,668	67,217	155,168	570,977
Total Liabilities	70,487	72,707	270,142	67,217	189,869	670,422
Fund Balances:						
Nonspendable:						
Inventory	-	42,743	-	-	-	42,743
Permanent fund principal	-	-	-	-	224,536	224,536
Restricted:						
Debt service	-	-	-	-	288,357	288,357
Capital projects	-	-	-	-	63,490	63,490
Forestry improvement purposes	-	-	-	-	289,108	289,108
Grant activities	-	-	-	-	30,933	30,933
Unemployment benefits	-	-	-	-	33,951	33,951
Child nutrition	-	264,258	-	-	-	264,258
Sixteenth section	-	-	-	-	4,395	4,395
Assigned:						
Activity funds	16,441	-	-	-	-	16,441
Other purposes	7,539	-	-	-	-	7,539
Unassigned	4,810,113	-	-	-	-	4,810,113
Total Fund Balances	4,834,093	307,001	-	-	934,770	6,075,864
Total Liabilities and Fund Balances	\$ 4,904,580	\$ 379,708	\$ 270,142	\$ 67,217	\$ 1,124,639	\$ 6,746,286

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

JEFFERSON COUNTY SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2016**

Exhibit C-1

Total fund balances for governmental funds \$ 6,075,864

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

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

Land	\$	19,828	
Buildings		4,127,471	
Building improvements		858,489	
Improvements other than buildings		161,986	
Mobile equipment		2,150,356	
Furniture and equipment		497,549	
Accumulated depreciation		<u>(4,804,204)</u>	3,011,475

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		(17,831,917)	
-----------------------	--	--------------	--

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

Deferred outflows of resources related to pensions		3,307,813	
Deferred inflows of resources related to pensions		<u>(587,485)</u>	(15,111,589)

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

Limited obligation bonds		(485,000)	
Notes payable		(955,807)	
Compensated absences		(67,247)	
Accrued interest payable		<u>(27,816)</u>	<u>(1,535,870)</u>

Net Position of governmental activities (deficit) \$ (7,560,120)

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

JEFFERSON COUNTY SCHOOL DISTRICT

Governmental Funds

**Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2016**

Exhibit D

	Major Funds					Total
	General Fund	School Food Service Fund	Title I-A Basic Fund	School Improvement Grant Fund	Other Governmental Funds	Governmental Funds
Revenues:						
Local sources	\$ 2,191,142	\$ 53,605	\$ -	\$ -	\$ 115,211	\$ 2,359,958
State sources	6,002,827	15,861	-	-	1,366,794	7,385,482
Federal sources	192,702	983,801	784,851	323,691	804,192	3,089,237
Sixteenth section sources	713,148	-	-	-	45,639	758,787
Total Revenues	9,099,819	1,053,267	784,851	323,691	2,331,836	13,593,464
Expenditures:						
Instruction	4,843,622	-	317,911	150,352	1,232,599	6,544,484
Support services	4,202,218	161,489	218,119	167,536	834,422	5,583,784
Noninstructional services	-	820,708	111,587	5,803	2,096	940,194
Sixteenth section	-	-	-	-	59,084	59,084
Debt service:						
Principal	-	-	-	-	312,000	312,000
Interest	-	-	-	-	47,193	47,193
Other	-	-	-	-	1,350	1,350
Total Expenditures	9,045,840	982,197	647,617	323,691	2,488,744	13,488,089
Excess (Deficiency) of Revenues over (under) Expenditures	53,979	71,070	137,234	-	(156,908)	105,375
Other Financing Sources (Uses):						
Bonds and notes issued	97,807	-	-	-	-	97,807
Operating transfers in	78,539	-	-	-	174,678	253,217
Operating transfers out	(34,927)	(72,472)	(137,234)	-	(8,584)	(253,217)
Total Other Financing Sources (Uses)	141,419	(72,472)	(137,234)	-	166,094	97,807
Net Change in Fund Balances	195,398	(1,402)	-	-	9,186	203,182
Fund Balances:						
July 1, 2015, as previously reported	4,533,956	298,455	-	-	925,569	5,757,980
Prior period adjustments	104,739	-	-	-	15	104,754
July 1, 2015, as restated	4,638,695	298,455	-	-	925,584	5,862,734
Increase (Decrease) in inventory	-	9,948	-	-	-	9,948
June 30, 2016	\$ 4,834,093	\$ 307,001	\$ -	\$ -	\$ 934,770	\$ 6,075,864

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

JEFFERSON COUNTY SCHOOL DISTRICT

Governmental Funds
**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2016**
Exhibit D-1

Net change in fund balances - total governmental funds **\$ 203,182**

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	\$ 84,800	
Depreciation expense	<u>(209,609)</u>	(124,809)

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold. (5,624)

3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of 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	(97,807)	
Payments of debt principal	312,000	
Accrued interest payable	<u>1,738</u>	215,931

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

Recording of pension expense for the current period	(1,700,362)	
Recording of contributions made subsequent to the measurement date	<u>1,159,678</u>	(540,684)

5. 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	21,046	
Change in inventory	<u>9,948</u>	<u>30,994</u>

Change in Net Position of governmental activities **\$ (221,010)**

JEFFERSON COUNTY SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Net Position
June 30, 2016

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 1,500	\$ 652,727
Due from other funds	-	43
Total Assets	<u>1,500</u>	<u>\$ 652,770</u>
Liabilities		
Accounts payable and accrued liabilities	-	\$ 640,482
Due to other funds	-	1,656
Due to student clubs	-	10,632
Total Liabilities	<u>-</u>	<u>\$ 652,770</u>
Net Position		
Reserved for endowments	<u>1,500</u>	
Total Net Position	<u>\$ 1,500</u>	

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

JEFFERSON COUNTY SCHOOL DISTRICT

Fiduciary Funds

Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2016

Exhibit F

	Private-Purpose Trust Funds
Additions	
Contributions and donations from private sources	\$ -
Total Additions	-
Deductions	
Scholarships awarded	-
Total Deductions	-
Change in Net Position	-
Net Position	
July 1, 2015	1,500
June 30, 2016	\$ 1,500

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

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2016

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

B. Government-wide and Fund Financial Statements

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

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

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

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

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2016

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.

School Food Service Fund - This is a special revenue fund that accounts for the local, state and federal revenues received and the expenditures incurred related to the District's Child Nutrition Program.

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

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

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

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

The District's fiduciary funds include the following:

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

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

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

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2016

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

FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

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

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

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2016

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

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

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2016

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	*	*

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

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2016

7. Deferred outflows/inflows of resources

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

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

See Note 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

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

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2016

specific purposes for which amounts in those funds can be spent.

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

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

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

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

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

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

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

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

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

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

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

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2016

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 \$5,141,530 and \$654,227, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. 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. 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, 2016, none of the district's bank balance of \$6,350,492 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$5,002.

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2016

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	School Food Service Fund	\$ 72,472
	Title I-A Basic Fund	269,668
	School Improvement Grant Fund	67,217
	Other governmental funds	155,168
	Fiduciary funds	1,656
Other governmental funds	General Fund	6,409
Fiduciary funds	General Fund	43
Total		<u>\$ 572,633</u>

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

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 34,927
School Food Service Fund	General Fund	72,472
Title I-A Basic Fund	Other governmental funds	137,234
Other governmental funds	General Fund	6,067
	Other governmental funds	2,517
Total		<u>\$ 253,217</u>

Operating transfers were primarily for the following: indirect costs, cost pool transfers, the transfer of excess MAEP funds from Hancock Bank, debt service transfers, the transfer of expendable sixteenth section resources, and other routine operating transfers.

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling \$222,613 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash with fiscal agent balance totaling \$5,002 of the MAEP Limited Obligation Bond Fund.

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2016

Note 5 – Capital Assets

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

	Balance 7/1/2015	Increases	Decreases	Balance 6/30/2016
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 19,828	\$	\$	\$ 19,828
Total non-depreciable capital assets	19,828	-	-	19,828
<u>Depreciable capital assets:</u>				
Buildings	4,127,471			4,127,471
Building improvements	858,489			858,489
Improvements other than buildings	161,986			161,986
Mobile equipment	2,121,791	84,800	56,235	2,150,356
Furniture and equipment	497,549			497,549
Total depreciable capital assets	7,767,286	84,800	56,235	7,795,851
<u>Less accumulated depreciation for:</u>				
Buildings	2,464,926	34,012		2,498,938
Building improvements	377,735	34,340		412,075
Improvements other than buildings	93,651	3,993		97,644
Mobile equipment	1,287,874	111,742	50,611	1,349,005
Furniture and equipment	421,020	25,522		446,542
Total accumulated depreciation	4,645,206	209,609	50,611	4,804,204
Total depreciable capital assets, net	3,122,080	(124,809)	5,624	2,991,647
Governmental activities capital assets, net	\$ 3,141,908	\$ (124,809)	\$ 5,624	\$ 3,011,475

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 61,064
Support services	111,742
Non-instructional	36,803
Total depreciation expense - Governmental activities	\$ 209,609

Note 6 – Long-term Liabilities

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

	Balance 7/1/2015	Additions	Reductions	Balance 6/30/2016	Amounts due within one year
A. Limited obligation bonds payable	\$ 715,000	\$	\$ 230,000	\$ 485,000	\$ 235,000
B. Three mill notes payable	940,000		82,000	858,000	85,000
C. Shortfall notes payable		97,807		97,807	31,480
D. Compensated absences payable	88,293		21,046	67,247	3,362
Total	\$ 1,743,293	\$ 97,807	\$ 333,046	\$ 1,508,054	\$ 354,842

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2016

A. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds, Series 2009	3.00%	12/18/2009	2/1/2018	\$ 1,890,000	\$ 485,000
Total				<u>\$ 1,890,000</u>	<u>\$ 485,000</u>

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 235,000	\$ 14,550	\$ 249,550
2018	250,000	6,250	256,250
Total	<u>\$ 485,000</u>	<u>\$ 20,800</u>	<u>\$ 505,800</u>

This debt will be retired from the MAEP Bond Retirement Fund.

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

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax note, Series 2014	1.5%-3.7%	7/22/2014	7/22/2024	\$ 940,000	\$ 858,000
Total				<u>\$ 940,000</u>	<u>\$ 858,000</u>

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

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2016

Year Ending June 30	Principal	Interest	Total
2017	\$ 85,000	\$ 24,513	\$ 109,513
2018	87,000	22,983	109,983
2019	90,000	21,096	111,096
2020	92,000	18,891	110,891
2021	95,000	16,452	111,452
2022 – 2025	409,000	35,925	444,925
Total	<u>\$ 858,000</u>	<u>\$ 139,860</u>	<u>\$ 997,860</u>

This debt will be retired from the Debt Service Fund.

C. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall note payable, Series 2016	3.525%	3/1/2016	3/1/2019	\$ 97,807	\$ 97,807
Total				<u>\$ 97,807</u>	<u>\$ 97,807</u>

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

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 31,480	\$ 3,448	\$ 34,928
2018	32,589	2,338	34,927
2019	33,738	1,189	34,927
Total	<u>\$ 97,807</u>	<u>\$ 6,975</u>	<u>\$ 104,782</u>

This debt will be retired from the Operational Shortfall 2015 Debt Service Fund.

D. Compensated absences payable

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

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2016

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, 2016 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2016, 2015 and 2014 were \$1,159,678, \$1,135,060 and \$1,086,816, 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, 2016, the school district reported a liability of \$17,831,917 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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. The school district's proportionate share used to calculate the June 30, 2016 net pension liability was 0.115357 percent, which was based on a measurement date of June 30, 2015. This was an increase of 0.002379 percent from its proportionate share used to calculate the June 30, 2015 net pension liability, which was based on a measurement date of June 30, 2014.

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2016

For the year ended June 30, 2016, the District recognized pension expense of \$1,700,362. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 411,398	\$
Net difference between projected and actual earnings on pension plan investments		447,542
Changes of assumptions	1,536,159	
Changes in proportion and differences between District contributions and proportionate share of contributions	200,578	139,943
District contributions subsequent to the measurement date	1,159,678	
Total	\$ <u>3,307,813</u>	\$ <u>587,485</u>

\$1,159,678 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, 2017. 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 ending June 30:	
2017	\$ 501,602
2018	501,970
2019	296,239
2020	260,839

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.75-19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2016

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

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent, a decrease of 0.25 percentage points since the prior measurement date. 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 7.75 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 (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 23,504,101	\$ 17,831,917	\$ 13,125,066

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

Note 8 – Sixteenth Section Lands

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

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2016

Year Ending June 30	Amount
2017	\$ 147,333
2018	121,498
2019	13,951
2020	351
2021	351
2022 – 2026	1,758
2027 – 2031	1,758
2032 – 2036	1,758
Thereafter	2,100
Total	<u>\$ 290,858</u>

Note 9 – Deficit Fund Balance of Individual Funds

The High School Athletic Fund has a deficit fund balance in the amount of \$17,400.

The deficit fund balance is in violation of Section 37-61-19, Miss. Code Ann. (1972). However, this deficit could have been eliminated with a transfer from the District Maintenance Fund (General Fund). Section 37-61-21, Miss. Code Ann. (1972), allows the school board of the school district, with the assistance from the superintendent, to transfer resources to and from functions and funds within the budget when and where needed under certain circumstances.

Note 10 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
To record the accrual related to the 2015 shortfall, to record the clearing of a check written off in prior year, and to write off old outstanding checks at the governmental fund level	\$ 104,754
Total	<u>\$ 104,754</u>

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

Fund	Explanation	Amount
General Fund	To record the accrual related to the 2015 shortfall and record clearing of check written off in prior year	\$ 104,739
Other governmental funds	To write off old outstanding checks	15
Total		<u>\$ 104,754</u>

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2016

Note 11 – Contingencies

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

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

Note 12 – Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 71 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 13 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$11,114,050) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$1,159,678 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, 2017. The \$2,148,135 balance of the deferred outflow of resources related to pensions at June 30, 2016 will be recognized as pension expense and will decrease the unrestricted net position amount over the next 3 years. The \$587,485 balance of the deferred inflow of resources related to pensions at June 30, 2016 will be recognized as a reduction of pension expense and will increase the unrestricted net position amount over the next 4 years.

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 County School District evaluated the activity of the district through September 15, 2017, and determined that no events requiring disclosure have occurred.

REQUIRED SUPPLEMENTARY INFORMATION

JEFFERSON COUNTY SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 2,245,084	\$ 2,257,324	\$ 2,191,142	\$ 12,240	\$ (66,182)
State sources	6,517,072	6,517,072	6,002,827	-	(514,245)
Federal sources	150,100	150,100	192,702	-	42,602
Sixteenth section sources	-	682,790	713,148	682,790	30,358
Total Revenues	8,912,256	9,607,286	9,099,819	695,030	(507,467)
Expenditures:					
Instruction	5,246,414	5,263,560	4,843,622	(17,146)	419,938
Support services	4,208,471	4,216,124	4,202,218	(7,653)	13,906
Total Expenditures	9,454,885	9,479,684	9,045,840	(24,799)	433,844
Excess (Deficiency) of Revenues over (under) Expenditures	(542,629)	127,602	53,979	670,231	(73,623)
Other Financing Sources (Uses):					
Bonds and notes issued	-	-	97,807	-	97,807
Operating transfers in	1,184,625	1,184,625	78,539	-	(1,106,086)
Operating transfers out	(950,130)	(1,553,533)	(34,927)	(603,403)	1,518,606
Total Other Financing Sources (Uses)	234,495	(368,908)	141,419	(603,403)	510,327
Net Change in Fund Balances	(308,134)	(241,306)	195,398	66,828	436,704
Fund Balances:					
July 1, 2015, as previously reported	665,604	4,533,956	4,533,956	3,868,352	-
Prior period adjustments	-	-	104,739	-	104,739
July 1, 2015, as restated	665,604	4,533,956	4,638,695	3,868,352	104,739
June 30, 2016	\$ 357,470	\$ 4,292,650	\$ 4,834,093	\$ 3,935,180	\$ 541,443

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

JEFFERSON COUNTY SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

School Food Service Fund

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 50,550	\$ 50,550	\$ 53,605	\$ -	\$ 3,055
State sources	9,600	15,000	15,861	5,400	861
Federal sources	927,000	930,500	983,801	3,500	53,301
Total Revenues	987,150	996,050	1,053,267	8,900	57,217
Expenditures:					
Support services	178,003	180,322	161,489	(2,319)	18,833
Noninstructional services	880,314	874,995	820,708	5,319	54,287
Total Expenditures	1,058,317	1,055,317	982,197	3,000	73,120
Excess (Deficiency) of Revenues over (under) Expenditures	(71,167)	(59,267)	71,070	11,900	130,337
Other Financing Sources (Uses):					
Operating transfers out	(72,472)	(72,472)	(72,472)	-	-
Total Other Financing Sources (Uses)	(72,472)	(72,472)	(72,472)	-	-
Net Change in Fund Balances	(143,639)	(131,739)	(1,402)	11,900	130,337
Fund Balances:					
July 1, 2015	220,800	298,455	298,455	77,655	-
Increase (Decrease) in inventory	-	-	9,948	-	9,948
June 30, 2016	\$ 77,161	\$ 166,716	\$ 307,001	\$ 89,555	\$ 140,285

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

JEFFERSON COUNTY SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

Title I-A Basic Fund

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 810,066	\$ 974,433	\$ 784,851	\$ 164,367	\$ (189,582)
Total Revenues	810,066	974,433	784,851	164,367	(189,582)
Expenditures:					
Instruction	394,500	406,264	317,911	(11,764)	88,353
Support services	161,183	312,398	218,119	(151,215)	94,279
Noninstructional services	124,383	132,692	111,587	(8,309)	21,105
Total Expenditures	680,066	851,354	647,617	(171,288)	203,737
Excess (Deficiency) of Revenues over (under) Expenditures					
	130,000	123,079	137,234	(6,921)	14,155
Other Financing Sources (Uses):					
Operating transfers out	(130,000)	(146,406)	(137,234)	(16,406)	9,172
Total Other Financing Sources (Uses)	(130,000)	(146,406)	(137,234)	(16,406)	9,172
Net Change in Fund Balances					
	-	(23,327)	-	(23,327)	23,327
Fund Balances:					
July 1, 2015	-	-	-	-	-
June 30, 2016	\$ -	\$ (23,327)	\$ -	\$ (23,327)	\$ 23,327

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

JEFFERSON COUNTY SCHOOL DISTRICT

Required Supplementary Information

**Budgetary Comparison Schedule
School Improvement Grant Fund
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 450,000	\$ 466,357	\$ 323,691	\$ 16,357	\$ (142,666)
Total Revenues	450,000	466,357	323,691	16,357	(142,666)
Expenditures:					
Instruction	348,547	230,939	150,352	117,608	80,587
Support services	99,953	228,483	167,536	(128,530)	60,947
Noninstructional services	1,500	6,935	5,803	(5,435)	1,132
Total Expenditures	450,000	466,357	323,691	(16,357)	142,666
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, 2015	-	-	-	-	-
June 30, 2016	\$ -	\$ -	\$ -	\$ -	\$ -

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

JEFFERSON COUNTY SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

PERS

Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.115357%	0.112978%
District's proportionate share of the net pension liability (asset)	\$ 17,831,917	13,713,461
District's covered-employee payroll	7,206,730	6,900,419
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	247.43%	198.73%
Plan fiduciary net position as a percentage of the total pension liability	62%	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 COUNTY SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

PERS

Last 10 Fiscal Years

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,159,678	1,135,060
Contributions in relation to the contractually required contribution	1,159,678	1,135,060
Contribution deficiency (excess)	<u>\$ 0</u>	<u>0</u>
District's covered-employee payroll	7,363,035	7,206,730
Contributions as a percentage of covered-employee payroll	15.75%	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/2015, and until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

JEFFERSON COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information

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.

Pension Schedules

(1) Changes of assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

SUPPLEMENTARY INFORMATION

JEFFERSON COUNTY SCHOOL DISTRICT

Supplementary Information

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2016

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	\$ 287,015
National school lunch program	10.555	679,568
Summer Food Service Program for Children	10.559	14,209
Total child nutrition cluster		<u>980,792</u>
Total passed-through Mississippi Department of Education		<u>980,792</u>
Passed-through the Jefferson County:		
Schools and Roads - Grants to States	10.665	59,259
Total passed-through the Franklin County		<u>59,259</u>
Total U.S. Department of Agriculture		<u>1,040,051</u>
<u>U.S. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	42,402
Total U.S. Department of Defense		<u>42,402</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	76,649
Total Federal Communications Commission		<u>76,649</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	822,363
Career and technical education - basic grants to states	84.048	14,922
Rehabilitation Service	84.126	630
Twenty-First Century Community Learning Centers	84.287	207,497
Rural Education	84.358	37,632
Improving teacher quality-State Grants	84.367	138,339
School Improvement Grant	84.377	323,691
Subtotal		<u>1,545,074</u>
Special education cluster:		
Special education - grants to states	84.027	335,685
Special education - preschool grants	84.173	16,888
Total special education cluster		<u>352,573</u>
Total passed-through Mississippi Department of Education		<u>1,897,647</u>
Total U.S. Department of Education		<u>1,897,647</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	32,488
Total passed-through Mississippi Department of Education		<u>32,488</u>
Total for All Federal Awards		\$ <u>3,089,237</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 COUNTY SCHOOL DISTRICT

Supplementary Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2016

<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	\$ 10,234,926	\$ 6,973,936	\$ 929,923	\$ 735,875	\$ 1,595,192
Other	<u>3,253,163</u>	<u>838,645</u>	<u>247,437</u>	<u>14,843</u>	<u>2,152,238</u>
Total	<u>\$ 13,488,089</u>	<u>7,812,581</u>	<u>1,177,360</u>	<u>750,718</u>	<u>3,747,430</u>
Total number of students *	<u>1,305</u>				
Cost per student	<u>\$ 10,336</u>	<u>\$ 5,987</u>	<u>\$ 902</u>	<u>\$ 575</u>	<u>\$ 2,872</u>

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 COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2016	2015*	2014*	2013*
Revenues:				
Local sources	\$ 2,191,142	2,148,632	2,102,108	2,104,684
State sources	6,002,827	6,338,987	6,194,676	6,000,902
Federal sources	192,702	177,012	161,299	116,361
Sixteenth section sources	713,148	683,685		
Total Revenues	9,099,819	9,348,316	8,458,083	8,221,947
Expenditures:				
Instruction	4,843,622	4,824,731	4,914,437	4,909,155
Support services	4,202,218	4,589,791	3,721,002	3,571,237
Noninstructional services		950	522	-
Total Expenditures	9,045,840	9,415,472	8,635,961	8,480,392
Excess (Deficiency) of Revenues over (under) Expenditures	53,979	(67,156)	(177,878)	(258,445)
Other Financing Sources (Uses):				
Bonds and notes issued	97,807	940,000		
Insurance recovery		55,530	960	86,023
Operating transfers in	78,539	4,418	575,439	612,515
Operating transfers out	(34,927)	(299,637)	(381,278)	(674,022)
Other financing uses				(480)
Total Other Financing Sources (Uses)	141,419	700,311	195,121	24,036
Net Change in Fund Balances	195,398	633,155	17,243	(234,409)
Fund Balances:				
July 1, as previously reported	4,533,956	1,205,673	1,188,430	1,418,889
Fund reclassification		2,694,848		
Prior period adjustments	104,739	280		3,950
Beginning of period, as restated	4,638,695	3,900,801	1,188,430	1,422,839
End of Period	\$ 4,834,093	4,533,956	1,205,673	1,188,430

*SOURCE - PRIOR YEAR AUDIT REPORTS

JEFFERSON COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2016	2015*	2014*	2013*
Revenues:				
Local sources	\$ 2,359,958	2,214,528	2,170,362	2,305,050
State sources	7,385,482	7,278,647	7,198,010	6,634,551
Federal sources	3,089,237	3,189,972	2,818,799	2,839,004
Sixteenth section sources	758,787	777,912	760,536	583,251
Total Revenues	13,593,464	13,461,059	12,947,707	12,361,856
Expenditures:				
Instruction	6,544,484	6,734,008	6,683,980	6,723,791
Support services	5,583,784	5,753,703	4,714,230	4,639,049
Noninstructional services	940,194	1,101,025	991,848	907,264
Sixteenth section	59,084	57,265	31,850	30,545
Debt service:				
Principal	312,000	294,117	371,599	366,130
Interest	47,193	30,814	41,980	54,244
Other	1,350	1,250	1,250	1,000
Total Expenditures	13,488,089	13,972,182	12,836,737	12,722,023
Excess (Deficiency) of Revenues over (under) Expenditures	105,375	(511,123)	110,970	(360,167)
Other Financing Sources (Uses):				
Bonds and notes issued	97,807	940,000		
Insurance recovery		55,530	960	86,023
Operating transfers in	253,217	447,697	1,086,585	1,401,332
Operating transfers out	(253,217)	(447,697)	(1,086,585)	(1,401,332)
Other financing uses				(480)
Total Other Financing Sources (Uses)	97,807	995,530	960	85,543
Net Change in Fund Balances	203,182	484,407	111,930	(274,624)
Fund Balances:				
July 1, as previously reported	5,757,980	5,263,161	5,154,208	5,430,383
Prior period adjustments	104,754	280		3,950
July 1, as restated	5,862,734	5,263,441	5,154,208	5,434,333
Increase (Decrease) in inventory	9,948	10,132	(2,977)	(5,501)
June 30,	\$ 6,075,864	5,757,980	5,263,161	5,154,208

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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 County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson County School District, as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise Jefferson County School District's basic financial statements, and have issued our report thereon dated September 15, 2017.

Internal Control Over Financial Reporting

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

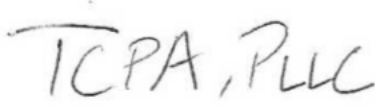
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
CONTINUED

Compliance and Other Matters

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

Purpose of this Report

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


THOMPSON CPA, PLLC
Jackson, Mississippi

September 15, 2017



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

Report on Compliance for Each Major Federal Program

We have audited Jefferson County School District compliance with the types of compliance described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Jefferson County School District's major federal programs for the year ended June 30, 2016. Jefferson County School District's major federal programs are identified in the summary of independent auditors' results section of the accompanying summary schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Jefferson County School District's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jefferson 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 program. However, our audit does not provide a legal determination of Jefferson County School District's compliance.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE
CONTINUED

Opinion on Each Major Federal Program

In our opinion, Jefferson County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE
CONTINUED

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

TCPA, PLLC

THOMPSON CPA, PLLC
Jackson, Mississippi

September 15, 2017

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



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

Superintendent and School Board
Jefferson County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson County School District as of and for the year ended June 30, 2016, which collectively comprise Jefferson County School District's basic financial statements and have issued our report thereon dated September 15, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported 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.

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and district response are as follows:

Finding 001

Section 29-3-119, Miss. Code Ann. (1972) requires Mississippi Public School Districts where a township (not a section) is occupied by two or more School Districts determine that nonexpendable revenues have been shared with/from the other districts. During our test work we noted that the district documented in a letter its shared revenues, but no documentation of payment was provided to us for the fiscal year ended June 30, 2016.

Recommendation

We recommend that the district comply with state law Section 29-3-119, Miss. Code Ann. (1972) and closely monitor the timely filing and payment of the nonexpendable 16th section shared revenues to the respective districts.

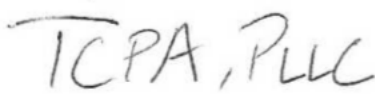
Response

The district management will implement proper controls to ensure timely calculations, filing and payments of shared revenues with the respectable districts owed.

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

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

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


THOMPSON CPA, PLLC
Jackson, Mississippi

September 15, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JEFFERSON COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs, Continued
For the Year Ended June 30, 2016

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued: | Unmodified |
| 2. | Internal control over financial reporting: | |
| a. | Material 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 weaknesses identified? | No |
| b. | Significant deficiencies identified? | None reported |
| 5. | Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I
84.027; 84.173	Special Education Cluster
84.287	Twenty-First Century Community Learning Centers

- | | | |
|----|--|-----------|
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. | Auditee qualified as low-risk auditee? | Yes |

JEFFERSON COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs, Continued
For the Year Ended June 30, 2016

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.