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Jefferson County School District

Audited Financial Statements
For the Year Ended June 30, 2017

Fortenberry & Ballard, PC
Certified Public Accountants

Jefferson County School District

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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Jefferson County School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson County School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Jefferson County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson County School District, as of June 30, 2017, 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 8 to 15 and 45 to 50, 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, and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by 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 April 17, 2018, 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 solely 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 the effectiveness of the Jefferson County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jefferson County School District's internal control over financial reporting and compliance.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
April 17, 2018

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

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, 2017. 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 2017 decreased \$933,777, which represents a 12% decrease from fiscal year 2016. 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.
- General revenues amounted to \$9,684,869 and \$10,017,319, or 73% and 74% of all revenues for fiscal years 2017 and 2016, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,631,611, or 27% of total revenues for 2017, and \$3,576,145, or 26% of total revenues for 2016.
- The District had \$14,250,257 and \$13,814,474 in expenses for fiscal years 2017 and 2016; only \$3,631,611 for 2017 and \$3,576,145 for 2016 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$9,684,869 for 2017 and \$10,017,319 for 2016 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$8,753,409 in revenues and \$8,540,004 in expenditures for 2017, and \$9,099,819 in revenues and \$9,045,840 in expenditures in 2016. The General Fund's fund balance increased by \$288,373 from 2016 to 2017, and increased by \$300,137 from 2015 to 2016.
- Capital assets, net of accumulated depreciation, decreased by \$178,194 for 2017 and decreased by \$130,433 for 2016. The decrease for 2017 was due to the increase in accumulated depreciation.
- Long-term debt decreased by \$242,176 for 2017 and decreased by \$214,193 for 2016. The decrease for 2017 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$1,873 for 2017 and decreased by \$21,046 for 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The Statement of Net Position presents information on all the District's nonfiduciary assets, 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.

JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

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.

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:

**JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

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.

A net pension liability results in a liability on the government-wide financial statements but is not reported on 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 Net 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 \$8,493,897 as of June 30, 2017.

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

JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

depreciation of capital assets.

Table 1 presents a summary of the District's net position at June 30, 2017 and June 30, 2016.

Table 1
Condensed Statement of Net Position

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage</u> <u>Change</u>
Current assets	\$ 6,349,451	\$ 5,947,736	6.75 %
Restricted assets	234,577	227,615	3.06 %
Capital assets, net	2,833,281	3,011,475	(5.92) %
Total assets	<u>9,417,309</u>	<u>9,186,826</u>	2.51 %
 Deferred outflows of resources	 <u>4,205,592</u>	 <u>3,307,813</u>	 27.14 %
 Current liabilities	 134,019	 127,303	 5.28 %
Long-term debt outstanding	1,267,751	1,508,054	(15.93) %
Net pension liability	20,559,198	17,831,917	15.29 %
Total liabilities	<u>21,960,968</u>	<u>19,467,274</u>	12.81 %
 Deferred inflows of resources	 <u>155,830</u>	 <u>587,485</u>	 (73.48) %
 Net position:			
Net investment in capital assets	2,321,781	2,339,975	(0.78) %
Restricted	1,327,543	1,213,955	9.36 %
Unrestricted	(12,143,221)	(11,114,050)	(9.26) %
Total net position (Deficit)	<u>\$ (8,493,897)</u>	<u>\$ (7,560,120)</u>	(12.35) %

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)	\$ (12,143,221)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	<u>16,509,436</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 4,366,215</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 \$178,194.
- The principal retirement of \$351,480 of long-term debt.
- Recognition of the net pension liability in the amount of \$20,559,198.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2017 and June 30, 2016 were \$13,316,480 and \$13,593,464, respectively. The total cost of all programs and services was \$14,250,257 for 2017 and \$13,814,474 for 2016.

JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2017 and June 30, 2016.

Table 2
Changes in Net Position

	<u>Year Ended</u> <u>June 30, 2017</u>	<u>Year Ended</u> <u>June 30, 2016</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 211,152	\$ 244,778	(13.74) %
Operating grants and contributions	3,420,459	3,331,367	2.67 %
General revenues:			
Property taxes	2,231,869	2,183,278	2.23 %
Grants and contributions not restricted	6,983,503	7,143,354	(2.24) %
Investment earnings	14,847	13,706	8.32 %
Sixteenth section sources	444,604	669,863	(33.63) %
Other	10,046	7,118	41.14 %
Total revenues	<u>13,316,480</u>	<u>13,593,464</u>	(2.04) %
Expenses:			
Instruction	5,883,291	5,891,771	(0.14) %
Support services	4,816,998	5,200,133	(7.37) %
Non-instructional	936,389	916,319	2.19 %
Sixteenth section	51,725	59,084	(12.46) %
Pension expense	2,519,300	1,700,362	48.16 %
Interest on long-term liabilities	42,554	46,805	(9.08) %
Total expenses	<u>14,250,257</u>	<u>13,814,474</u>	3.15 %
Increase (Decrease) in net position	<u>(933,777)</u>	<u>(221,010)</u>	(322.50) %
Net Position (Deficit), July 1, as previously reported	<u>(7,560,120)</u>	<u>(7,443,864)</u>	(1.56) %
Prior Period Adjustment	<u>-</u>	<u>104,754</u>	(100.00) %
Net Position (Deficit), July 1, as restated	<u>(7,560,120)</u>	<u>(7,339,110)</u>	(3.01) %
Net Position (Deficit), June 30	<u><u>\$ (8,493,897)</u></u>	<u><u>\$ (7,560,120)</u></u>	(12.35) %

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, 2017

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2017	2016	
Instruction	\$ 5,883,291	\$ 5,891,771	(0.14) %
Support services	4,816,998	5,200,133	(7.37) %
Non-instructional	936,389	916,319	2.19 %
Sixteenth section	51,725	59,084	(12.46) %
Pension Expense	2,519,300	1,700,362	48.16 %
Interest on long-term liabilities	42,554	46,805	(9.08) %
Total expenses	\$ 14,250,257	\$ 13,814,474	3.15 %

	Net (Expense) Revenue		Percentage Change
	2017	2016	
Instruction	\$ (4,382,378)	\$ (4,501,521)	2.65 %
Support services	(3,806,764)	(4,128,669)	7.80 %
Non-instructional	133,417	118,725	12.37 %
Sixteenth section	(1,067)	20,303	(105.26) %
Pension Expense	(2,519,300)	(1,700,362)	48.16 %
Interest on long-term liabilities	(42,554)	(46,805)	9.08 %
Total net (expense) revenue	\$ (10,618,646)	\$ (10,238,329)	(3.71) %

- Net cost of governmental activities (\$10,618,646 for 2017 and \$10,238,329 for 2016) was financed by general revenue, which is primarily made up of property taxes (\$2,231,869 for 2017 and \$2,183,278 for 2016) and state and federal revenues (\$6,983,503 for 2017 and \$7,143,354 for 2016). In addition, there was \$444,604 and \$669,863 in Sixteenth Section sources for 2017 and 2016, respectively.
- Investment earnings amounted to \$14,847 for 2017 and \$13,706 for 2016.

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 \$6,476,518, an increase of \$400,654, which includes a decrease in inventory of \$13,291. \$5,079,653, or 78% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted or assigned to specific purposes within the general fund. The remaining fund balance of \$1,396,865, or 22% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

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 \$288,373. The fund balance of Other Governmental Funds showed an increase in the amount of \$22,585, which includes a decrease in inventory of \$13,291. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I - A Basic Fund	no increase or decrease
School Improvement Grant Fund	no increase or decrease
Debt Service Fund	\$ 89,696

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, 2017, the District's total capital assets were \$7,825,919, including land, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$10,240 from 2016. Total accumulated depreciation as of June 30, 2017, was \$4,992,638, and total depreciation expense for the year was \$188,434, resulting in total net capital assets of \$2,833,281.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 19,828	\$ 19,828	- %
Buildings	1,594,521	1,628,533	(2.09) %
Building improvements	412,075	446,414	(7.69) %
Improvements other than buildings	60,349	64,342	(6.21) %
Mobile equipment	708,546	801,351	(11.58) %
Furniture and equipment	37,962	51,007	(25.57) %
Total	<u>\$ 2,833,281</u>	<u>\$ 3,011,475</u>	<u>(5.92) %</u>

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

Debt Administration. At June 30, 2017, the District had \$1,267,751 in outstanding long-term debt, of which \$408,584 is due within one year. During the fiscal year, the District received proceeds from a shortfall note in the amount of \$109,304. The District made principal payments totaling \$351,480 on outstanding long-term debt. The liability for compensated absences increased \$1,873 from the prior year.

**JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 250,000	\$ 485,000	(48.45) %
Three mill notes payable	773,000	858,000	(9.91) %
Shortfall notes payable	175,631	97,807	79.57 %
Compensated absences payable	69,120	67,247	2.79 %
Total	<u>\$ 1,267,751</u>	<u>\$ 1,508,054</u>	<u>(15.93) %</u>

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

CURRENT ISSUES

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

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

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

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, is to be implemented in fiscal year 6/30/2018. At this point, we do not have enough information to judge the impact this will have on this school district.

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, 2017**

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 5,522,895
Due from other governments	792,278
Other receivables, net	4,826
Inventories	29,452
Restricted assets	234,577
Capital assets, non-depreciable:	
Land	19,828
Capital assets, net of accumulated depreciation:	
Buildings	1,594,521
Building improvements	412,075
Improvements other than buildings	60,349
Mobile equipment	708,546
Furniture and equipment	37,962
Total Assets	<u>9,417,309</u>
 Deferred Outflows of Resources	
Deferred outflows - pensions	4,205,592
Total Deferred Outflows of Resources	<u>4,205,592</u>
 Liabilities	
Accounts payable and accrued liabilities	107,432
Due to other governments	78
Interest payable on long-term liabilities	26,509
Long-term liabilities, due within one year:	
Capital related liabilities	168,500
Non-capital related liabilities	240,084
Long-term liabilities, due beyond one year:	
Capital related liabilities	343,000
Non-capital related liabilities	516,167
Net pension liability	20,559,198
Total Liabilities	<u>21,960,968</u>
 Deferred Inflows of Resources	
Deferred inflows - pensions	155,830
Total Deferred Inflows of Resources	<u>155,830</u>
 Net Position	
Net investment in capital assets	2,321,781
Restricted for:	
Expendable:	
School-based activities	401,775
Debt service	316,705
Capital improvements	63,490
Forestry improvements	288,817
Unemployment benefits	32,220
Non-expendable:	
Sixteenth section	224,536
Unrestricted	(12,143,221)
Total Net Position (Deficit)	<u>\$ (8,493,897)</u>

JEFFERSON COUNTY SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
Governmental Activities:					
Instruction	\$ 5,883,291	\$ 95,323	\$ 1,405,590	\$	(4,382,378)
Support services	4,816,998	1,160	1,009,074		(3,806,764)
Non-instructional	936,389	64,011	1,005,795		133,417
Sixteenth section	51,725	50,658	-		(1,067)
Pension expense	2,519,300	-	-		(2,519,300)
Interest on long-term liabilities	42,554	-	-		(42,554)
Total Governmental Activities	<u>\$ 14,250,257</u>	<u>\$ 211,152</u>	<u>\$ 3,420,459</u>	<u>\$</u>	<u>(10,618,646)</u>

General Revenues:

Taxes:

General purpose levies	2,142,089
Debt purpose levies	89,780

Unrestricted grants and contributions:

State	6,900,015
Federal	83,488
Unrestricted investment earnings	14,847
Sixteenth section sources	444,604
Other	10,046
Total General Revenues	<u>9,684,869</u>

Change in Net Position (933,777)

Net Position (Deficit) - Beginning (7,560,120)

Net Position (Deficit) - Ending \$ (8,493,897)

JEFFERSON COUNTY SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2017

Exhibit C

	Major Funds						
	General Fund	Title I - A Basic Fund	School Improvement Fund	Grant Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	\$ 4,653,281	\$ -	\$ -	\$ -	\$ 122,050	\$ 977,051	\$ 5,752,382
Cash with fiscal agents	-	-	-	-	-	5,090	5,090
Due from other governments	193,293	134,255	81,165	3,455	377,366		789,534
Other receivables, net	4,826	-	-	-	-	-	4,826
Due from other funds	456,245	-	-	65,900	25,618		547,763
Inventories	-	-	-	-	29,452		29,452
Total assets	<u>\$ 5,307,645</u>	<u>\$ 134,255</u>	<u>\$ 81,165</u>	<u>\$ 191,405</u>	<u>\$ 1,414,577</u>		<u>\$ 7,129,047</u>
Liabilities and Fund Balances							
Liabilities:							
Accounts payable and accrued liabilities	\$ 96,245	\$ 82	\$ -	\$ -	\$ 11,105		\$ 107,432
Due to other funds	88,934	134,173	81,165	97,529	143,296		545,097
Total Liabilities	<u>185,179</u>	<u>134,255</u>	<u>81,165</u>	<u>97,529</u>	<u>154,401</u>		<u>652,529</u>
Fund Balances:							
Nonspendable:							
Inventory	-	-	-	-	29,452		29,452
Permanent fund principal	-	-	-	-	224,536		224,536
Restricted:							
Debt service	-	-	-	93,876	249,338		343,214
Capital projects	-	-	-	-	63,490		63,490
Forestry improvement purposes	-	-	-	-	288,817		288,817
Grant activities	-	-	-	-	64,715		64,715
Unemployment benefits	-	-	-	-	32,220		32,220
Child nutrition	-	-	-	-	302,657		302,657
Sixteenth section	-	-	-	-	4,951		4,951
Assigned:							
Activity funds	35,274	-	-	-	-		35,274
Other purposes	7,539	-	-	-	-		7,539
Unassigned	<u>5,079,653</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>5,079,653</u>
Total Fund Balances	<u>5,122,466</u>	<u>-</u>	<u>-</u>	<u>93,876</u>	<u>1,260,176</u>		<u>6,476,518</u>
Total Liabilities and Fund Balances	<u>\$ 5,307,645</u>	<u>\$ 134,255</u>	<u>\$ 81,165</u>	<u>\$ 191,405</u>	<u>\$ 1,414,577</u>		<u>\$ 7,129,047</u>

JEFFERSON COUNTY SCHOOL DISTRICT

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2017

Exhibit C-1

Total fund balances for governmental funds	\$ 6,476,518
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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	2,160,596	
Furniture and equipment	497,549	
Accumulated depreciation	<u>(4,992,638)</u>	2,833,281

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	(20,559,198)
-----------------------	--------------

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	4,205,592	
Deferred inflows of resources related to pensions	<u>(155,830)</u>	(16,509,436)

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	(250,000)	
Notes payable	(948,631)	
Compensated absences	(69,120)	
Accrued interest payable	<u>(26,509)</u>	(1,294,260)

Net Position of governmental activities

\$ (8,493,897)

JEFFERSON COUNTY SCHOOL DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

Exhibit D

	Major Funds					Total Governmental Funds
	General Fund	Title I - A Basic Fund	School Improvement Grant Fund	Debt Service Fund	Other Governmental Funds	
Revenues:						
Local sources	\$ 2,252,495	\$ -	\$ -	\$ 89,905	\$ 64,230	\$ 2,406,630
State sources	5,921,126	-	-	-	1,363,571	7,284,697
Federal sources	125,890	797,189	419,629	-	1,776,557	3,119,265
Sixteenth section sources	453,898	-	-	-	51,990	505,888
Total Revenues	8,753,409	797,189	419,629	89,905	3,256,348	13,316,480
Expenditures:						
Instruction	4,644,120	315,149	289,927	-	1,246,795	6,495,991
Support services	3,895,884	235,642	124,295	-	865,932	5,121,753
Noninstructional services	-	126,596	5,407	-	815,026	947,029
Sixteenth section	-	-	-	-	51,725	51,725
Debt service:						
Principal	-	-	-	85,000	266,480	351,480
Interest	-	-	-	24,513	17,998	42,511
Other	-	-	-	-	1,350	1,350
Total Expenditures	8,540,004	677,387	419,629	109,513	3,265,306	13,011,839
Excess (Deficiency) of Revenues over (under) Expenditures	213,405	119,802	-	(19,608)	(8,958)	304,641
Other Financing Sources (Uses):						
Notes issued	-	-	-	109,304	-	109,304
Operating transfers in	74,968	-	-	-	122,558	197,526
Operating transfers out	-	(119,802)	-	-	(77,724)	(197,526)
Total Other Financing Sources (Uses)	74,968	(119,802)	-	109,304	44,834	109,304
Net Change in Fund Balances	288,373	-	-	89,696	35,876	413,945
Fund Balances:						
July 1, 2016	4,834,093	-	-	4,180	1,237,591	6,075,864
Increase (Decrease) in inventory	-	-	-	-	(13,291)	(13,291)
June 30, 2017	\$ 5,122,466	\$ -	\$ -	\$ 93,876	\$ 1,260,176	\$ 6,476,518

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, 2017**

Exhibit D-1

Net change in fund balances - total governmental funds \$ 413,945

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	\$ 10,240	
Depreciation expense	(188,434)	(178,194)

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

Notes issued	(109,304)	
Payments of debt principal	351,480	
Accrued interest payable	1,307	243,483

3. 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	(2,519,300)	
Recording of contributions made subsequent to the measurement date	1,121,453	(1,397,847)

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

Change in compensated absences	(1,873)	
Change in inventory	(13,291)	(15,164)

Change in Net Position of governmental activities \$ (933,777)

JEFFERSON COUNTY SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Net Position
June 30, 2017

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 1,500	\$ 630,966
Due from other funds	-	78
Total Assets	<u>1,500</u>	<u>\$ 631,044</u>
Liabilities		
Accounts payable and accrued liabilities		\$ 613,674
Due to other funds		2,744
Due to student clubs		14,626
Total Liabilities		<u>\$ 631,044</u>
Net Position		
Reserved for endowments	<u>1,500</u>	
Total Net Position	<u>\$ 1,500</u>	

JEFFERSON COUNTY SCHOOL DISTRICT

Fiduciary Funds

**Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2017**

Exhibit F

	Private-Purpose Trust Funds
Additions	\$
Total Additions	-
Deductions	
Total Deductions	-
Change in Net Position	-
Net Position	
July 1, 2016	1,500
June 30, 2017	\$ 1,500

Jefferson County School District

Notes to the Financial Statements
For the Year Ended June 30, 2017

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

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

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

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

The school district reports the following major governmental funds:

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

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

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

Debt Service Fund - This is a debt service fund that accounts for local sources received and expenditures incurred for the repayment of the District's long-term debt.

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 non-payroll 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.

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

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

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

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

FIDUCIARY FUNDS

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

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

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

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

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

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2014*, 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.

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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. 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.

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

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.

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 11 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

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

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 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.

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

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). 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 \$5,752,382 and \$632,466, 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

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

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, 2017, none of the district's bank balance of \$6,879,360 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of the school district's cash with fiscal agents held by financial institutions was \$5,090.

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I - A Basic Fund	\$ 134,173
	School Improvement Grant Fund	81,165
	Debt Service Fund	97,162
	Other Governmental Funds	141,369
	Fiduciary Funds	2,376
Debt Service Fund	General Fund	65,900
Other Governmental Funds	General Fund	22,956
	Debt Service Fund	367
	Other Governmental Funds	1,927
	Fiduciary Funds	368
Fiduciary Funds	General Fund	78
Total		<u>\$ 547,841</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
Title I - A Basic Fund	Other Governmental Funds	\$ 119,802
Other Governmental Funds	General Fund	74,968
	Other Governmental Funds	2,756
Total		<u>\$ 197,526</u>

Operating transfers were for the following: indirect costs, cost pool transfers, and the transfer of excess MAEP funds from Hancock Bank.

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling \$229,487 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 \$5,090 of the MAEP Limited Obligation Bond Fund.

Note 5 – Capital Assets

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

	Balance 7/1/2016	Increases	Balance 6/30/2017
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	2,150,356	10,240	2,160,596
Furniture and equipment	497,549		497,549
Total depreciable capital assets	7,795,851	10,240	7,806,091
<u>Less accumulated depreciation for:</u>			
Buildings	2,498,938	34,012	2,532,950
Building improvements	412,075	34,339	446,414
Improvements other than buildings	97,644	3,993	101,637
Mobile equipment	1,349,005	103,045	1,452,050
Furniture and equipment	446,542	13,045	459,587
Total accumulated depreciation	4,804,204	188,434	4,992,638
Total depreciable capital assets, net	2,991,647	(178,194)	2,813,453
Governmental activities capital assets, net	\$ 3,011,475	\$ (178,194)	\$ 2,833,281

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 61,064
Support services	103,045
Non-instructional	24,325
Total depreciation expense	\$ 188,434

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

Note 6 – Long-term Liabilities

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

	Balance 7/1/2016	Additions	Reductions	Balance 6/30/2017	Amounts due within one year
A. Limited obligation bonds payable	\$ 485,000	\$	\$ 235,000	\$ 250,000	\$ 250,000
B. Three mill notes payable	858,000		85,000	773,000	87,000
C. Shortfall notes payable	97,807	109,304	31,480	175,631	68,128
D. Compensated absences payable	67,247	1,873		69,120	3,456
Total	\$ 1,508,054	\$ 111,177	\$ 351,480	\$ 1,267,751	\$ 408,584

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	\$ 250,000

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 250,000	\$ 6,250	\$ 256,250

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

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

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

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	\$ 773,000

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

Year Ending June 30	Principal	Interest	Total
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	97,000	13,698	110,698
2023 – 2025	312,000	22,227	334,227
Total	\$ 773,000	\$ 115,347	\$ 888,347

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, Series 2016	3.525%	3/1/2016	3/1/2019	\$ 97,807	\$ 66,327
Shortfall note, Series 2017	2.50%	9/1/2016	9/1/2019	109,304	109,304
Total				\$ 207,111	\$ 175,631

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

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

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

1. Shortfall notes payable issued on March 1, 2016:

Year Ending June 30	Principal	Interest	Total
2018	\$ 32,589	\$ 2,338	\$ 34,927
2019	33,738	1,189	34,927
Total	\$ 66,327	\$ 3,527	\$ 69,854

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

2. Shortfall notes payable issued on September 1, 2016:

Year Ending June 30	Principal	Interest	Total
2018	\$ 35,539	\$ 2,732	\$ 38,271
2019	36,427	1,844	38,271
2020	37,338	933	38,271
Total	\$ 109,304	\$ 5,509	\$ 114,813

This debt will be retired from the 2016 3 Mill Shortfall Debt Service Fund.

Total shortfall notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2018	\$ 68,128	\$ 5,070	\$ 73,198
2019	70,165	3,033	73,198
2020	37,338	933	38,271
Total	\$ 175,631	\$ 9,036	\$ 184,667

D. Compensated absences payable

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

Note 7 – Defined Benefit Pension Plan

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

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

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, 2017 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, 2017, 2016 and 2015 were \$1,121,453, \$1,159,678 and \$1,135,082, 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, 2017, the school district reported a liability of \$20,559,198 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2017 net pension liability was 0.115097 percent, which was based on a measurement date of June 30, 2016. This was a decrease of 0.00026 percent from its proportionate share used to calculate the June 30, 2016 net pension liability, which was based on a measurement date of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$2,519,300. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 572,716	\$
Net difference between projected and actual earnings on pension plan investments	1,413,192	
Changes of assumptions	971,395	54,632
Changes in proportion and differences between District contributions and proportionate share of contributions	126,836	101,198
District contributions subsequent to the measurement date	1,121,453	
Total	\$ <u>4,205,592</u>	\$ <u>155,830</u>

\$1,121,453 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, 2018. 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:	
2018	\$ 1,006,771
2019	801,043
2020	714,344
2021	406,151

Actuarial assumptions. The total pension liability in the June 30, 2016 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, 2016 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, 2017

<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. 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 the current employer contribution 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 members. 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	\$ 26,361,502	\$ 20,559,198	\$ 15,745,167

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, 2017

Year Ending June 30	Amount
2018	\$ 148,705
2019	41,159
2020	352
2021	352
2022	352
2023 – 2027	1,757
2028 – 2032	1,757
2033 – 2037	1,546
Thereafter	1,960
Total	<u>\$ 197,940</u>

Note 9 – Contingencies

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

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 10 – Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 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.

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

Note 11 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$12,143,221) 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 \$1,121,453 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, 2018. The \$3,084,139 balance of the deferred outflow of resources related to pensions at June 30, 2017 will be recognized as pension expense and will decrease the unrestricted net position amount over the next 3 years. The \$155,830 balance of the deferred inflow of resources related to pensions at June 30, 2017 will be recognized as a reduction of pension expense and will increase the unrestricted net position amount over the next 4 years.

Note 12 – Subsequent Events

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

REQUIRED SUPPLEMENTARY INFORMATION

JEFFERSON COUNTY SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 2,361,560	\$ 2,252,495	\$ 2,252,495	\$ (109,065)	\$ -
State sources	5,959,000	5,921,126	5,921,126	(37,874)	-
Federal sources	82,000	125,890	125,890	43,890	-
Sixteenth section sources	489,659	453,898	453,898	(35,761)	-
Total Revenues	8,892,219	8,753,409	8,753,409	(138,810)	-
Expenditures:					
Instruction	5,129,635	4,644,120	4,644,120	485,515	-
Support services	4,226,717	3,895,884	3,895,884	330,833	-
Total Expenditures	9,356,352	8,540,004	8,540,004	816,348	-
Excess (Deficiency) of Revenues over (under) Expenditures	(464,133)	213,405	213,405	677,538	-
Other Financing Sources (Uses):					
Operating transfers in	1,050,377	88,571	74,968	(961,806)	(13,603)
Operating transfers out	(1,017,854)	(13,603)	-	1,004,251	13,603
Total Other Financing Sources (Uses)	32,523	74,968	74,968	42,445	-
Net Change in Fund Balances	(431,610)	288,373	288,373	719,983	-
Fund Balances:					
July 1, 2016	5,293,112	4,834,093	4,834,093	(459,019)	-
June 30, 2017	\$ 4,861,502	\$ 5,122,466	\$ 5,122,466	\$ 260,964	\$ -

JEFFERSON COUNTY SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

Title I - A Basic Fund

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 1,009,915	\$ 999,195	\$ 797,189	\$ (10,720)	\$ (202,006)
Total Revenues	1,009,915	999,195	797,189	(10,720)	(202,006)
Expenditures:					
Instruction	378,818	410,658	315,149	(31,840)	95,509
Support services	340,852	317,152	235,642	23,700	81,510
Noninstructional services	150,245	131,385	126,596	18,860	4,789
Total Expenditures	869,915	859,195	677,387	10,720	181,808
Excess (Deficiency) of Revenues over (under) Expenditures	140,000	140,000	119,802	-	(20,198)
Other Financing Sources (Uses):					
Operating transfers out	(140,000)	(140,000)	(119,802)	-	20,198
Total Other Financing Sources (Uses)	(140,000)	(140,000)	(119,802)	-	20,198
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2016	-	-	-	-	-
June 30, 2017	\$ -	\$ -	\$ -	\$ -	\$ -

JEFFERSON COUNTY SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule
School Improvement Grant Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 270,668	\$ 437,181	\$ 419,629	\$ 166,513	\$ (17,552)
Total Revenues	270,668	437,181	419,629	166,513	(17,552)
Expenditures:					
Instruction	142,648	303,642	289,927	(160,994)	13,715
Support services	126,888	127,539	124,295	(651)	3,244
Noninstructional services	1,132	6,000	5,407	(4,868)	593
Total Expenditures	270,668	437,181	419,629	(166,513)	17,552
Excess (Deficiency) of Revenues over (under) Expenditures	-	-	-	-	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2016	-	-	-	-	-
June 30, 2017	\$ -	\$ -	\$ -	\$ -	\$ -

Jefferson County School District

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

PERS

Last 10 Fiscal Years*

	2017	2016	2015
District's proportion of the net pension liability (asset)	\$ 20,559,198	17,831,917	13,713,461
District's proportionate share of the net pension liability (asset)	0.115097%	0.115357%	0.112978%
District's covered payroll	7,363,035	7,206,730	6,900,419
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	279.22%	247.43%	198.73%
Plan fiduciary net position as a percentage of the total pension liability	57%	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
Schedule of District Contributions
PERS
Last 10 Fiscal Years

	2017	2016	2015
Contractually required contribution	\$ 1,121,453	1,159,678	1,135,082
Contributions in relation to the contractually required contribution	1,121,453	1,159,678	1,135,082
Contribution deficiency (excess)	\$ -	-	-
District's covered payroll	7,120,337	7,363,035	7,206,870
Contributions as a percentage of covered payroll	15.75%	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 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

Jefferson County School District

Notes to the Required Supplementary Information For the Year Ended June 30, 2017

Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) Changes in benefit provisions

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

(2) Changes of assumptions

2015:

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.

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.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

2016:

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

SUPPLEMENTARY INFORMATION

Jefferson County School District

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U. S. DEPARTMENT OF AGRICULTURE</u>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 268,298
National School Lunch Program	10.555	712,209
Summer Food Service Program for Children	10.559	7,874
Total Child Nutrition Cluster		988,381
Total passed-through Mississippi Department of Education		988,381
Total U. S. Department of Agriculture		988,381
<u>U. S. DEPARTMENT OF DEFENSE</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	42,402
Total U. S. Department of Defense		42,402
<u>U. S. DEPARTMENT OF EDUCATION</u>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	884,330
Career and Technical Education - Basic Grants to States	84.048	21,621
Twenty-first Century Community Learning Centers	84.287	150,972
Rural Education	84.358	25,794
Supporting Effective Instruction State Grants	84.367	143,184
School Improvement Grants	84.377	419,629
Subtotal		1,645,530
Special Education Cluster:		
Special Education - Grants to States	84.027	352,102
Special Education - Preschool Grants	84.173	14,524
Total Special Education Cluster		366,626
Total passed-through the Mississippi Department of Education		2,012,156
Total U. S. Department of Education		2,012,156
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
Passed-through Mississippi Department of Education		
Medical Assistance Program	93.778	14,613
Total passed-through the Mississippi Department of Education		14,613
Total U.S. Department of Health and Human Services		14,613
TOTAL FOR ALL FEDERAL AWARDS		\$ 3,057,552

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

Jefferson County School District
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2017

Expenditures	Total	Instruction and Other Student	General	School	Other
		Instructional Expenditures	Administration	Administration	
Salaries and fringe benefits	\$ 9,882,899	6,788,505	908,708	643,084	1,542,602
Other	3,128,940	970,503	251,457	11,437	1,895,543
Total	<u>\$ 13,011,839</u>	<u>7,759,008</u>	<u>1,160,165</u>	<u>654,521</u>	<u>3,438,145</u>
Total number of students *	<u>1,206</u>				
Cost per student	<u>\$ 10,789</u>	<u>6,434</u>	<u>962</u>	<u>543</u>	<u>2,850</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 Service Business.

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

Other - includes all expenditures 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

Jefferson County School District

Notes to the Supplementary Information
For the Year Ended June 30, 2017

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the school district under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the 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). Because the schedule presents only a selected portion of the operations of the school district, it is not intended to and does not present the financial position, changes in net position, or cash flows of the school district.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements; however, the expenditures include transfers out. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Indirect Cost Rate

The school district did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Other Items

The pass-through entities did not assign identifying numbers to the school district.

Donated commodities of \$61,202 are included in the National School Lunch Program.

OTHER INFORMATION

JEFFERSON COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

General Fund

Last Four Years

	2017	2016*	2015*	2014*
Revenues:				
Local sources	\$ 2,252,495	2,191,142	2,148,632	2,102,108
State sources	5,921,126	6,002,827	6,338,987	6,194,676
Federal sources	125,890	192,702	177,012	161,299
Sixteenth section sources	453,898	713,148	683,685	-
Total Revenues	<u>8,753,409</u>	<u>9,099,819</u>	<u>9,348,316</u>	<u>8,458,083</u>
Expenditures:				
Instruction	4,644,120	4,843,622	4,824,731	4,914,437
Support services	3,895,884	4,202,218	4,589,791	3,721,002
Noninstructional services	-	-	950	522
Total Expenditures	<u>8,540,004</u>	<u>9,045,840</u>	<u>9,415,472</u>	<u>8,635,961</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>213,405</u>	<u>53,979</u>	<u>(67,156)</u>	<u>(177,878)</u>
Other Financing Sources (Uses):				
Notes issued	-	97,807	940,000	-
Insurance recovery	-	-	55,530	960
Operating transfers in	74,968	78,539	4,418	575,439
Operating transfers out	-	(34,927)	(299,637)	(381,278)
Total Other Financing Sources (Uses)	<u>74,968</u>	<u>141,419</u>	<u>700,311</u>	<u>195,121</u>
Net Change in Fund Balances	<u>288,373</u>	<u>195,398</u>	<u>633,155</u>	<u>17,243</u>
Fund Balances:				
July 1, as previously reported	4,834,093	4,533,956	1,205,673	1,188,430
Fund reclassification	-	-	2,694,848	-
Prior period adjustment	-	104,739	280	-
July 1, as restated	<u>4,834,093</u>	<u>4,638,695</u>	<u>3,900,801</u>	<u>1,188,430</u>
June 30,	<u>\$ 5,122,466</u>	<u>4,834,093</u>	<u>4,533,956</u>	<u>1,205,673</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

JEFFERSON COUNTY SCHOOL DISTRICT

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

"UNAUDITED"

	2017	2016*	2015*	2014*
Revenues:				
Local sources	\$ 2,406,630	2,359,958	2,214,528	2,170,362
State sources	7,284,697	7,385,482	7,278,647	7,198,010
Federal sources	3,119,265	3,089,237	3,189,972	2,818,799
Sixteenth section sources	505,888	758,787	777,912	760,536
Total Revenues	<u>13,316,480</u>	<u>13,593,464</u>	<u>13,461,059</u>	<u>12,947,707</u>
Expenditures:				
Instruction	6,495,991	6,544,484	6,734,008	6,683,980
Support services	5,121,753	5,583,784	5,753,703	4,714,230
Noninstructional services	947,029	940,194	1,101,025	991,848
Sixteenth section	51,725	59,084	57,265	31,850
Debt service:				
Principal	351,480	312,000	294,117	371,599
Interest	42,511	47,193	30,814	41,980
Other	1,350	1,350	1,250	1,250
Total Expenditures	<u>13,011,839</u>	<u>13,488,089</u>	<u>13,972,182</u>	<u>12,836,737</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>304,641</u>	<u>105,375</u>	<u>(511,123)</u>	<u>110,970</u>
Other Financing Sources (Uses):				
Notes issued	109,304	97,807	940,000	-
Insurance recovery	-	-	55,530	960
Operating transfers in	197,526	253,217	447,697	1,086,585
Operating transfers out	(197,526)	(253,217)	(447,697)	(1,086,585)
Total Other Financing Sources (Uses)	<u>109,304</u>	<u>97,807</u>	<u>995,530</u>	<u>960</u>
Net Change in Fund Balances	<u>413,945</u>	<u>203,182</u>	<u>484,407</u>	<u>111,930</u>
Fund Balances:				
July 1, as previously reported	6,075,864	5,757,980	5,263,161	5,154,208
Prior period adjustments	-	104,754	280	-
July 1, as restated	<u>6,075,864</u>	<u>5,862,734</u>	<u>5,263,441</u>	<u>5,154,208</u>
Increase (Decrease) in inventory	<u>(13,291)</u>	<u>9,948</u>	<u>10,132</u>	<u>(2,977)</u>
June 30,	<u>\$ 6,476,518</u>	<u>6,075,864</u>	<u>5,757,980</u>	<u>5,263,161</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Jefferson County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson County School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Jefferson County School District's basic financial statements, and have issued our report thereon dated April 17, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
April 17, 2018

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Jefferson County School District

Report on Compliance for Each Major Federal Program

We have audited Jefferson County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Jefferson County School District's major federal programs for the year ended June 30, 2017. The Jefferson County School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Jefferson County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
April 17, 2018

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Jefferson County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson County School District as of and for the year ended June 30, 2017, which collectively comprise Jefferson County School District's basic financial statements and have issued our report thereon dated April 17, 2018. 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.

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

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

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

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

1929 SPILLWAY ROAD, SUITE B
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

Finding 1

Criteria:

Section 29-3-119(4), Miss. Code Ann. (1972), that states, “The school district having jurisdiction and control of the sixteenth section or lieu lands in the township (the “custodial school district”) shall pay to each other school district lying wholly or partly in the township which is entitled to a part of the township funds the district’s pro rata share of the available township funds, as determined from the lists of children prepared pursuant to Section 29-3-121, Any school district entitled to such funds, which is not paid promptly may assert a claim against the custodial school district for its share of the funds no later than twelve (12) months from the end of the calendar year in which the custodial school district collected such funds.”

Condition:

During tests of sixteenth section revenue, we noted that the District failed to distribute funds generated from the sixteenth section property between school district(s) lying partly within townships of which Jefferson County School District is the custodial school district.

Cause:

The cause of the above condition is primarily due to management noncompliance with Section 29-3-119(4), Miss. Code Ann. (1972).

Effect:

Noncompliance with Section 29-3-119 (4), Miss. Code Ann. (1972), could result in the District having to repay other districts.

Recommendation:

We recommend the District comply with Section 29-3-119(4), Miss. Code Ann. (1972), which requires the custodial district to share the sum of all revenues less expenditures derived from shared townships with other districts.

Response:

After the audit exit meeting when the auditor brought this to our attention, Jefferson County School District Business Manager reviewed documentation sent from Claiborne County School District along with Claiborne County School District Business Manager to better understand the report sent for shared 16 section. With further analysis and clarification of the report, it was concluded that revenue was due to Claiborne County. A claim was submitted to the board on February 20 for payment of shared revenue to Claiborne County. The amount owed was paid.

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

The Jefferson County 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.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
April 17, 2018

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Jefferson County School District

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2017

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported.
5. Type of auditor's report issued on compliance for major programs: Unmodified.
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No.
7. Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
10.553, 10.555 & 10.559	Child Nutrition Cluster
84.377	School Improvement Grant

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000.
9. Auditee qualified as low-risk auditee? No.

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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