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**JEFFERSON DAVIS COUNTY SCHOOL DISTRICT**

**Audited Financial Statements  
For the Year Ended June 30, 2017**

**Charles L. Shivers, CPA, LLC  
Ridgeland, MS**

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## INDEPENDENT AUDITOR'S REPORT

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## INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
Jefferson Davis County School District

### **Report on the Financial Statements**

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### ***Opinions***

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson Davis County School District, as of June 30, 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, schedule of the district's proportionate share of the net pension liability and schedule of district contributions 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jefferson Davis County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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 my 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, I do not express an opinion or provide any assurance on it.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated February 28, 2018, on my consideration of the Jefferson Davis County School District's internal control over financial reporting and on my 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 my 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 Davis 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 Davis County School District's internal control over financial reporting and compliance.

***Charles L Shivers***

Charles L. Shivers, CPA, LLC  
Ridgeland, MS  
February 28, 2018

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following discussion and analysis of Jefferson Davis County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 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 \$1,103,381, which represents a 4% decrease from fiscal year 2016. Total net position for 2016 increased \$1,659,747, which represents a 7% increase from fiscal year 2015.
- General revenues amounted to \$13,134,487 and \$14,549,444, or 77% and 77% 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 \$4,022,279, or 23% of total revenues for 2017, and \$4,309,949, or 23% of total revenues for 2016.
- The District had \$18,260,147 and \$17,199,646 in expenses for fiscal years 2017 and 2016; only \$4,022,279 for 2017 and \$4,309,949 for 2016 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$13,134,487 for 2017 were not adequate to provide for these programs. General revenues of \$14,549,444 for 2016 were adequate to provide for these programs.
- Among major funds, the General Fund had \$11,768,075 in revenues and \$11,095,210 in expenditures for 2017, and \$11,790,450 in revenues and \$11,899,130 in expenditures in 2016. The General Fund's fund balance increased by \$1,352,148 from 2016 to 2017, and decreased by \$31,034 from 2015 to 2016.
- Capital assets, net of accumulated depreciation, decreased by \$393,963 for 2017 and increased by \$1,276,822 for 2016. The decrease for 2017 was due to the disposal of mobile equipment and furniture and equipment coupled with the increase in accumulated depreciation.
- Long-term debt, including the liability for compensated absences, decreased by \$604,699 for 2017 and decreased by \$594,571 for 2016. The decrease for 2017 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$699 for 2017 and decreased by \$5,571 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.

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:

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. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$25,902,060 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 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**

	June 30, 2017	June 30, 2016	Percentage Change
Current assets	\$ 9,432,589	\$ 8,317,180	13.41 %
Restricted assets	29,767,207	29,820,498	(0.18) %
Capital assets, net	8,985,124	9,379,087	(4.20) %
<b>Total assets</b>	<b>48,184,920</b>	<b>47,516,765</b>	<b>1.41 %</b>
<b>Deferred outflows of resources</b>	<b>3,866,529</b>	<b>3,039,473</b>	<b>27.21 %</b>
Current liabilities	87,987	51,069	72.29 %
Long-term debt outstanding	1,454,188	2,058,887	(29.37) %
Net pension liability	24,068,107	20,989,838	14.67 %
<b>Total liabilities</b>	<b>25,610,282</b>	<b>23,099,794</b>	<b>10.87 %</b>
<b>Deferred inflows of resources</b>	<b>539,107</b>	<b>451,003</b>	<b>19.54 %</b>
<b>Net position:</b>			
Net investment in capital assets	7,597,428	7,389,253	2.82 %
Restricted	29,974,399	29,689,204	0.96 %
Unrestricted	(11,669,767)	(10,073,016)	(15.85) %
<b>Total net position</b>	<b>\$ 25,902,060</b>	<b>\$ 27,005,441</b>	<b>(4.09) %</b>

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (11,669,767)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	20,742,268
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 9,072,501</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 \$393,963.
- The principal retirement of \$604,000 of long-term debt.

### Changes in net position

The District's total revenues for the fiscal years ended June 30, 2017 and June 30, 2016 were \$17,156,766 and \$18,859,393, respectively. The total cost of all programs and services was \$18,260,147 for 2017 and \$17,199,646 for 2016.

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**

	Year Ended June 30, 2017	Year Ended June 30, 2016	Percentage Change
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 580,072	\$ 550,283	5.41 %
Operating grants and contributions	3,442,207	3,759,666	(8.44) %
General revenues:			
Property taxes	4,549,176	4,409,907	3.16 %
Grants and contributions not restricted	7,433,606	7,705,066	(3.52) %
Investment earnings	55,834	787,642	(92.91) %
Sixteenth section sources	912,864	1,458,142	(37.40) %
Other	183,007	188,687	(3.01) %
<b>Total revenues</b>	<b>17,156,766</b>	<b>18,859,393</b>	<b>(9.03) %</b>
<b>Expenses:</b>			
Instruction	6,550,399	6,962,587	(5.92) %
Support services	6,633,701	6,944,879	(4.48) %
Non-instructional	1,213,202	1,178,078	2.98 %
Sixteenth section	224,065	112,509	99.15 %
Pension expense	3,611,288	1,967,060	83.59 %
Interest on long-term liabilities	27,492	34,533	(20.39) %
<b>Total expenses</b>	<b>18,260,147</b>	<b>17,199,646</b>	<b>6.17 %</b>
<b>Increase (Decrease) in net position</b>	<b>(1,103,381)</b>	<b>1,659,747</b>	<b>(166.48) %</b>
<b>Net Position, July 1</b>	<b>27,005,441</b>	<b>25,345,694</b>	<b>6.55 %</b>
<b>Net Position, June 30</b>	<b>\$ 25,902,060</b>	<b>\$ 27,005,441</b>	<b>(4.09) %</b>

#### 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.

**Table 3**  
**Net Cost of Governmental Activities**

	Total Expenses		Percentage Change
	2017	2016	
Instruction	\$ 6,550,399	\$ 6,962,587	(5.92) %
Support services	6,633,701	6,944,879	(4.48) %
Non-instructional	1,213,202	1,178,078	2.98 %
Sixteenth section	224,065	112,509	99.15 %
Pension Expense	3,611,288	1,967,060	83.59 %
Interest on long-term liabilities	27,492	34,533	(20.39) %
<b>Total expenses</b>	<b>\$ 18,260,147</b>	<b>\$ 17,199,646</b>	<b>6.17 %</b>
	Net (Expense) Revenue		Percentage Change
	2017	2016	
Instruction	\$ (5,305,054)	\$ (5,516,712)	(3.84) %
Support services	(5,281,185)	(5,392,986)	(2.07) %
Non-instructional	146,599	101,903	43.86 %
Sixteenth section	(159,448)	(80,309)	98.54 %
Pension Expense	(3,611,288)	(1,967,060)	83.59 %
Interest on long-term liabilities	(27,492)	(34,533)	(20.39) %
<b>Total net (expense) revenue</b>	<b>\$ (14,237,868)</b>	<b>\$ (12,889,697)</b>	<b>10.46 %</b>



- Net cost of governmental activities (\$14,237,868 for 2017 and \$12,889,697 for 2016) was financed by general revenue, which is primarily made up of property taxes (\$4,549,176 for 2017 and \$4,409,907 for 2016) and state and federal revenues (\$7,433,606 for 2017 and \$7,705,066 for 2016). In addition, there was \$912,864 and \$1,458,142 in Sixteenth Section sources for 2017 and 2016, respectively.
- Investment earnings amounted to \$55,834 for 2017 and \$787,642 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 \$39,117,063, an increase of \$1,022,794, which includes an increase in inventory of \$4,167. \$8,794,088, or 22% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$30,322,975, or 78% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

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 \$1,352,148. The fund balance of Other Governmental Funds showed a decrease in the amount of \$126,114, which includes an increase in inventory of \$4,167. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
Title I Part A Fund		no increase or decrease
EHA Part B Fund		no increase or decrease
Sixteenth Section Principal Fund	\$	(203,240)

## 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 \$17,618,298, including land, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross decrease of \$378,960 from 2016 due primarily to the disposal of various items of mobile equipment and furniture and equipment. Total accumulated depreciation as of June 30, 2017, was \$8,633,174, and total depreciation expense for the year was \$622,194, resulting in total net capital assets of \$8,985,124.

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

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Land	\$ 46,600	\$ 46,600	0 %
Construction in Progress	0	606,674	(100.00) %
Buildings	6,389,486	5,814,144	9.90 %
Building improvements	877,685	939,086	(6.54) %
Improvements other than buildings	118,924	127,724	(6.89) %
Mobile equipment	1,410,894	1,598,280	(11.72) %
Furniture and equipment	141,535	246,579	(42.60) %
<b>Total</b>	<b>\$ 8,985,124</b>	<b>\$ 9,379,087</b>	<b>(4.20) %</b>

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 \$1,454,188 in outstanding long-term debt, of which \$1,005,859 is due within one year. During the fiscal year, the District made principal payments totaling \$604,000 on outstanding long-term debt. The liability for compensated absences decreased \$699 from the prior year.

**Table 5**  
**Outstanding Long-Term Debt**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Limited obligation refunding bonds payable	\$ 745,000	\$ 1,098,000	(32.15) %
Certificates of participation refunding payable	137,000	203,000	(32.51) %
Three mill notes payable	515,000	700,000	(26.43) %
Compensated absences payable	57,188	57,887	(1.21) %
<b>Total</b>	<u><u>\$ 1,454,188</u></u>	<u><u>\$ 2,058,887</u></u>	<u><u>(29.37) %</u></u>

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

#### **CURRENT ISSUES**

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

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

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

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

## BASIC FINANCIAL STATEMENTS

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JEFFERSON DAVIS COUNTY SCHOOL DISTRICT  
Statement of Net Position  
June 30, 2017

Exhibit A

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 8,513,908
Due from other governments	778,793
Accrued interest receivable	103,657
Other receivables, net	122
Inventories	36,109
Restricted assets (Note 4)	29,767,207
Non-depreciable capital assets (Note 5)	46,600
Depreciable capital assets, net (Note 5)	8,938,524
<b>Total Assets</b>	<u>48,184,920</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflow - pensions (Note 7)	3,864,946
Deferred outflow from advance refunding of debt	1,583
<b>Total Deferred Outflows of Resources</b>	<u>3,866,529</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	82,733
Interest payable on long-term liabilities	5,254
<b>Long-term liabilities (Due within one year) (Note 6)</b>	
Capital related liabilities	1,003,000
Non-capital related liabilities	2,859
<b>Long-term liabilities (Due beyond one year) (Note 6)</b>	
Capital related liabilities	394,000
Non-capital related liabilities	54,329
Net pension liability (Note 7)	24,068,107
<b>Total Liabilities</b>	<u>25,610,282</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions (Note 7)	539,107
<b>Total Deferred Inflows of Resources</b>	<u>539,107</u>
<b>Net Position</b>	
Net investment in capital assets	7,597,428
Restricted net position	
Expendable	
School-based activities	193,598
Debt service	451,199
Forestry improvements	207,198
Unemployment benefits	41,814
Non-expendable	
Sixteenth section	29,080,590
Unrestricted	<u>(11,669,767)</u>
<b>Total Net Position</b>	<u>\$ 25,902,060</u>

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

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended June 30, 2017

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Instruction	\$ 6,550,399	204,137	1,041,208	(5,305,054)
Support services	6,633,701		1,352,516	(5,281,185)
Non-instructional	1,213,202	311,318	1,048,483	146,599
Sixteenth section	224,065	64,617		(159,448)
Pension expense	3,611,288			(3,611,288)
Interest on long-term liabilities	27,492			(27,492)
Total Governmental Activities	18,260,147	580,072	3,442,207	(14,237,868)
General Revenues				
Taxes				
General purpose levies				4,352,742
Debt purpose levies				196,434
Unrestricted grants and contributions				
State				7,241,711
Federal				191,895
Unrestricted investment earnings				55,834
Sixteenth section sources				912,864
Other				183,007
Total General Revenues				13,134,487
Changes in Net Position				(1,103,381)
Net Position - Beginning				27,005,441
Net Position - Ending				\$ 25,902,060

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

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT  
Balance Sheet - Governmental Funds  
June 30, 2017

Exhibit C

	Major Funds					
	General Fund	Title I Part A Fund	EHA Part B Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents (Note 2)	\$ 8,492,884			9,223,390	411,975	18,128,249
Cash with fiscal agent (Note 2)				500,650	192,600	693,250
Investments (Note 2)				19,459,616		19,459,616
Due from other governments	198,899	133,080	76,557	2,563	367,694	778,793
Accrued interest receivable				103,657		103,657
Other receivables, net				122		122
Due from other funds (Note 3)	290,207				9,337	299,544
Inventories					36,109	36,109
<b>Total Assets</b>	<b>8,981,990</b>	<b>133,080</b>	<b>76,557</b>	<b>29,289,998</b>	<b>1,017,715</b>	<b>39,499,340</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable & accrued liabilities	82,733					82,733
Due to other funds (Note 3)		133,080	76,557		89,907	299,544
<b>Total Liabilities</b>	<b>82,733</b>	<b>133,080</b>	<b>76,557</b>	<b>0</b>	<b>89,907</b>	<b>382,277</b>
<b>Fund Balances</b>						
<b>Nonspendable</b>						
Inventory					36,109	36,109
Permanent fund principal				29,080,590		29,080,590
<b>Restricted</b>						
Debt service					456,453	456,453
Forestry improvements					207,198	207,198
Unemployment benefits					41,814	41,814
Grant activities					157,489	157,489
Capital purchases, transportation					7,721	7,721
<b>Assigned</b>						
Activity funds	105,169					105,169
School activities				209,408		209,408
Capital improvements					21,024	21,024
<b>Unassigned</b>	<b>8,794,088</b>					<b>8,794,088</b>
<b>Total Fund Balances</b>	<b>8,899,257</b>	<b>0</b>	<b>0</b>	<b>29,289,998</b>	<b>927,808</b>	<b>39,117,063</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 8,981,990</b>	<b>133,080</b>	<b>76,557</b>	<b>29,289,998</b>	<b>1,017,715</b>	<b>39,499,340</b>

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

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT  
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2017

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 39,117,063

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

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

Land	46,600	
Buildings	10,356,778	
Building improvements	1,738,409	
Improvement other than buildings	286,618	
Mobile equipment	3,453,257	
Furniture and equipment	1,736,636	
Accumulated depreciation	<u>(8,633,174)</u>	8,985,124

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	(24,068,107)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	3,864,946	
Deferred inflows of resources related to pensions	<u>(539,107)</u>	3,325,839

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

Limited obligation refunding bonds	(745,000)	
Notes payable	(515,000)	
Certificates of participation	(137,000)	
Compensated absences	(57,188)	
Unamortized charges	1,583	
Accrued interest payable	<u>(5,254)</u>	(1,457,859)

Total Net Position - Governmental Activities	<u><u>\$ 25,902,060</u></u>
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The notes to the financial statements are an integral part of this statement.



## JEFFERSON DAVIS COUNTY SCHOOL DISTRICT

## Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended June 30, 2017

Exhibit D

	Major Funds				Other	Total
	General	Title I Part A	EHA Part B	Sixteenth	Governmental	Governmental
	Fund	Fund	Fund	Section Principal	Funds	Funds
				Fund		
Revenues						
Local sources	\$ 4,728,035				550,737	5,278,772
State sources	6,277,242				1,439,381	7,716,623
Federal sources	284,694	944,340	476,923		1,453,234	3,159,191
Sixteenth section sources	478,104		0	452,399	71,677	1,002,180
Total Revenues	11,768,075	944,340	476,923	452,399	3,515,029	17,156,766
Expenditures						
Instruction	5,895,163	388,120	100,176		728,881	7,112,340
Support services	5,124,748	348,202	355,531		872,886	6,701,367
Noninstructional services	3,750	22,522			1,297,984	1,324,256
Sixteenth section	71,549			86,687	65,829	224,065
Facilities acquisition and construction					143,796	143,796
Debt service						
Principal (Note 6)					604,000	604,000
Interest					26,965	26,965
Other					1,350	1,350
Total Expenditures	11,095,210	758,844	455,707	86,687	3,741,691	16,138,139
Excess (Deficiency) of Revenues Over (Under) Expenditures	672,865	185,496	21,216	365,712	(226,662)	1,018,627
Other Financing Sources (Uses)						
Operating transfers in (Note 3)	683,503				241,336	924,839
Operating transfers out (Note 3)	(4,220)	(185,496)	(21,216)	(568,952)	(144,955)	(924,839)
Total Other Financing Sources (Uses)	679,283	(185,496)	(21,216)	(568,952)	96,381	0
Net Change in Fund Balances	1,352,148	0	0	(203,240)	(130,281)	1,018,627
Fund Balances						
July 1, 2016	7,547,109	0	0	29,493,238	1,053,922	38,094,269
Increase in reserve for inventory					4,167	4,167
June 30, 2017	\$ 8,899,257	0	0	29,289,998	927,808	39,117,063

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

## JEFFERSON DAVIS COUNTY SCHOOL DISTRICT

Exhibit D-1

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

	<u>Amount</u>
Net Change in Fund Balance - Governmental Funds	\$ 1,018,627

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

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

Capital outlay	255,737	
Depreciation expense	<u>(622,194)</u>	(366,457)

In the Statement of Activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.

(27,506)

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:

Payments of debt principal	604,000	
Accrued interest payable	<u>2,406</u>	606,406

Reconciling items applicable to pension liability and related accounts:

Pension contributions made subsequent to the measurement date	1,273,554	
Pension expense for the current year	<u>(3,611,288)</u>	(2,337,734)

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 the governmental funds. These activities include:

Change in compensated absences	699	
Change in inventory reserve	4,167	
Amortization of deferred charges	<u>(1,583)</u>	<u>3,283</u>

Changes in Net Position of Governmental Activities	<u>\$ (1,103,381)</u>
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The notes to the financial statements are an integral part of this statement.

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT  
Statement of Fiduciary Assets and Liabilities  
June 30, 2017

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents (Note 2)	<u>\$ 468,948</u>
Total Assets	<u>468,948</u>
Liabilities	
Accounts payable and accrued liabilities	452,390
Due to student clubs	<u>16,558</u>
Total Liabilities	<u>\$ 468,948</u>

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

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

**Blended component unit**

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

The Authority is governed by a five member board which is appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, fund balances, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see Note 11).

**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

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2017

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

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

The school district reports the following major governmental funds:

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

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

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

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

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

The school district also reports fiduciary funds which focus on assets and liabilities only. The District's fiduciary funds include the following:

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

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

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

Additionally, the school district reports the following fund types:

**GOVERNMENTAL FUNDS**

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

**Capital Projects Funds** - Capital Projects Funds are used to account for and report financial 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.

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2017

**FIDUCIARY FUNDS**

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

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

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

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

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

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It 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 maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end.

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2017

Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

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

**1. Cash, Cash equivalents and Investments**

**Cash and cash equivalents**

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

**Investments**

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

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

Investments for the district are reported at fair market value.

**2. Receivables and payables**

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

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

**3. Due from Other Governments**

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

**4. Inventories and Prepaid Items**

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

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

**5. Restricted Assets**

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



# JEFFERSON DAVIS COUNTY SCHOOL DISTRICT

## Notes to the Financial Statements

For Year Ended June 30, 2017

### 6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

### 7. Deferred outflows/inflows of resources

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

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.

### 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.

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2017

9. Long-term Liabilities

In the government-wide financial statements, outstanding debt is reported as liabilities. The difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method. 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. Currently there is no committed fund balance for this school district.

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

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

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

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

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2017

**Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments**

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits 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 \$18,128,249 and \$468,948, respectively. The bank balance was \$19,225,686.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

**Cash with Fiscal Agents**

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$693,250.

**Investments**

As of June 30, 2017, the district had the following investments.

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2017

Investment Type	Rating	Maturities (in years)	Fair Value
Federal National Mortgage Association	Various	less than 1 year	\$ 201,128
Federal National Mortgage Association	Various	1 to 5 years	3,943,123
Federal National Mortgage Association	N/A	5 to 10 years	1,439,959
Federal National Mortgage Association	N/A	10 to 15 years	1,092,383
Federal National Mortgage Association	N/A	25 to 30 years	142,476
U.S. Treasury Notes	Various	less than 1 year	817,718
U.S. Treasury Notes	Various	1 to 5 years	1,792,384
U.S. Treasury Notes	N/A	5 to 10 years	97,797
Federal Home Loan Bank	N/A	less than 1 year	49,946
Federal Home Loan Bank	Various	1 to 5 years	1,065,306
Federal Home Loan Mortgage Corp	Aaa	less than 1 year	74,806
Federal Home Loan Mortgage Corp	Various	1 to 5 years	1,020,810
Federal Home Loan Mortgage Corp	N/A	10 to 15 years	100,589
Fidelity Investment Bonds and Notes	Various	less than 1 year	507,925
Fidelity Investment Bonds and Notes	Various	1 to 5 years	2,964,964
Fidelity Investment Bonds and Notes	Various	5 to 10 years	3,691,323
Fidelity Investment Bonds and Notes	Various	10 to 15 years	390,882
Government National Mortgage Association	N/A	Various	66,097
<b>Total</b>			<b>\$ 19,459,616</b>

The district categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The district has the following recurring fair value measurements as of June 30, 2017: Quoted market prices (Level 1 inputs).

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

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

*Custodial Credit Risk - Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2017, the district did not have any investments to which this would apply.

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

### **Note 3 – Inter-fund Receivables, Payables and Transfers**

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

**JEFFERSON DAVIS COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statements**

**For Year Ended June 30, 2017**

**A. Due From/To Other Funds**

Receivable Fund	Payable Fund	Amount
General Fund	Title I Part A Fund	\$ 133,080
	EHA Part B Fund	76,557
	Other governmental funds	80,570
Other governmental funds	Other governmental funds	9,337
Total		<u>\$ 299,544</u>

The primary purpose of the inter-fund loans was to eliminate deficit cash balances in certain federal program funds as part of normal year-end closing adjustments. All balances are expected to be repaid within one year.

**B. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 4,220
Title I Part A Fund	General Fund	38,641
	Other governmental funds	146,855
EHA Part B Fund	General Fund	21,216
Sixteenth Section Principal Fund	General Fund	568,952
Other governmental funds	General Fund	54,694
	Other governmental funds	90,261
Total		<u>\$ 924,839</u>

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

**Note 4 – Restricted Assets**

The restricted assets represent the cash, cash with fiscal agent and investment balances, totaling \$9,614,341, \$693,250, and \$19,459,616, respectively, which are legally restricted (i.e., 16th Section Principal Fund, Debt Service Funds and similar type funds) and may not be used for purposes that support the district's programs.

**Note 5 – Capital Assets**

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

**JEFFERSON DAVIS COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statements**

**For Year Ended June 30, 2017**

	Balance 7/1/2016	Increases	Decreases	Completed Construction	Balance 6/30/2017
<b>Governmental Activities:</b>					
<b>Non-depreciable capital assets:</b>					
Land	\$ 46,600				46,600
Construction-in-progress	606,674	143,796		(750,470)	0
Total non-depreciable capital assets	653,274	143,796	0	(750,470)	46,600
<b>Depreciable capital assets:</b>					
Buildings	9,606,308			750,470	10,356,778
Building improvements	1,738,409				1,738,409
Improvements other than buildings	286,618				286,618
Mobile equipment	3,616,547	71,656	234,946		3,453,257
Furniture and equipment	2,096,102	40,285	399,751		1,736,636
Total depreciable capital assets	17,343,984	111,941	634,697	750,470	17,571,698
<b>Less accumulated depreciation for:</b>					
Buildings	3,792,164	175,128			3,967,292
Building improvements	799,323	61,401			860,724
Improvements other than buildings	158,894	8,800			167,694
Mobile equipment	2,018,267	235,548	211,452		2,042,363
Furniture and equipment	1,849,523	141,317	395,739		1,595,101
Total accumulated depreciation	8,618,171	622,194	607,191	0	8,633,174
Total depreciable capital assets, net	8,725,813	(510,253)	27,506	750,470	8,938,524
Governmental activities capital assets, net	\$ 9,379,087	(366,457)	27,506	0	8,985,124

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 209,271
Support services	386,020
Non-instructional	26,903
Total depreciation expense - Governmental activities	\$ 622,194

**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 refunding bonds payable	\$ 1,098,000		353,000	745,000	745,000
B. Certificates of participation refunding payable	203,000		66,000	137,000	68,000
C. Three mill notes payable	700,000		185,000	515,000	190,000
D. Compensated absences payable	57,887		699	57,188	2,859
Total	\$ 2,058,887	0	604,699	1,454,188	1,005,859

**A. Limited obligation refunding bonds payable**

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

**JEFFERSON DAVIS COUNTY SCHOOL DISTRICT**

Notes to the Financial Statements

For Year Ended June 30, 2017

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds, Series 2013	1.36%	9/12/2013	2/1/2018	\$ 1,783,000	745,000

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 745,000	7,657	752,657

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

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

**B. Certificates of participation refunding payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Certificates of participation refunding payable	2.09%	6/1/2012	4/1/2019	\$ 454,000	137,000

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 68,000	2,863	70,863
2019	69,000	1,442	70,442
Total	\$ 137,000	4,305	141,305

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

**C. Three mill notes payable**

Debt currently outstanding is as follows:

**JEFFERSON DAVIS COUNTY SCHOOL DISTRICT**

Notes to the Financial Statements

For Year Ended June 30, 2017

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Note, Series 2015	0.48%-1.98%	6/15/2015	6/15/2020	\$ 880,000	515,000

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 190,000	8,377	198,377
2019	195,000	5,850	200,850
2020	130,000	2,574	132,574
Total	\$ 515,000	16,801	531,801

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

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

**D. Compensated absences payable**

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

**Note 7 – Defined Benefit Pension Plan**

**General Information about the Pension Plan**

*Plan Description.* The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

*Benefits provided.* Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement



JEFFERSON DAVIS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2017

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 \$1,273,554, \$1,357,619 and \$1,336,090, 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 \$24,068,107 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 0.134741 percent, which was based on a measurement date of June 30, 2016. This was an decrease of 0.001045 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 \$3,611,288. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 478,415	\$ 0
Net difference between projected and actual earnings on pension plan investments	1,304,396	0
Changes of assumptions	808,581	45,578
Changes in proportion and differences between District contributions and proportionate share of contributions		493,529
District contributions subsequent to the measurement date	1,273,554	0
Total	<u>\$ 3,864,946</u>	<u>\$ 539,107</u>

\$1,273,554 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	\$ 649,142
2019	649,142
2020	427,901
2021	326,100

*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:

**JEFFERSON DAVIS COUNTY SCHOOL DISTRICT**

**Notes to the Financial Statements**

**For Year Ended June 30, 2017**

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:

<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	\$ 30,860,709	\$ 24,068,107	\$ 18,432,449

*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

**JEFFERSON DAVIS COUNTY SCHOOL DISTRICT**

Notes to the Financial Statements

For Year Ended June 30, 2017

trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30	Amount
2018	\$ 58,467
2019	39,235
2020	29,070
2021	13,331
2022	8,728
2023 – 2027	34,038
2028 – 2032	29,368
2033 – 2037	22,569
2038 – 2042	7,573
Thereafter	6,010
Total	<u>\$ 248,389</u>

**Note 9 – Contingencies**

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

**Note 10 – Risk Management**

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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**

**Property Trust**

The school district is a member of the Mississippi School Boards Association Property Trust (MSBAPT). The Trust is a risk sharing pool; such a pool is frequently referred to as a self-insurance pool. The Trust consist of approximately 39 school districts and covers losses associated with property damage to the physical assets (property and automobiles) owned by the member districts as well as Crime and Cyber coverage. An indemnity agreement is executed by each member in the Trust for the purposes of jointly and severally binding the pool and each of the members/districts to meet the financial obligations of each member. Each member of the Trust contributes quarterly to a fund held in trust by Amegy Bank, Houston, TX. The funds in the trust account are used to pay any claim up to \$150,000 per occurrence for property losses and \$100,000 per occurrence for automobile physical damage losses. For a claim/occurrence exceeding the \$150,000 and \$100,000 respectively, the Trust has secured excess insurance. 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.

**Casualty Trust**

The school district is a member of the Mississippi School Boards Association Casualty Trust (MSBACT). The Trust is a risk sharing pool; such a pool is frequently referred to as a self-insurance pool. The Trust consist of approximately 39 school districts and covers losses associated with liability related claims (General Liability, Automobile Liability, School Board Legal Liability and Employment Practices). An indemnity agreement is executed by each member in the Trust for the purposes of jointly and severally binding the pool and each of the members/districts to meet the financial obligations of each member. Each member of

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2017

the Trust contributes quarterly to a fund held in trust by Amegy Bank, Houston, TX. The funds in the trust account are used to pay any claim up to \$150,000 per occurrence. For a claim/occurrence exceeding \$150,000 the Trust has secured excess insurance. 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.

**Note 11 – Trust Certificates**

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

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

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

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

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

**Note 12 – Effect of Deferred Amounts on Net Position**

The net investment in capital assets net position amount of \$7,597,428 includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of school district debt. The \$1,583 balance of the deferred outflow of resources at June 30, 2017, will be recognized as an expense and decrease the net investment in capital assets net position by \$1,583 in fiscal year 2018.

The unrestricted net position amount of (\$11,669,767) 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 \$1,273,554 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 \$2,591,392 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 4 years. The \$539,107 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 3 years.

**Note 13 - 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 School District evaluated the activity of the district through February 28, 2018, the date the financial statements were available to be issued, and determined that no subsequent event have occurred requiring disclosure in the notes to the financial statements.

## REQUIRED SUPPLEMENTARY INFORMATION

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JEFFERSON DAVIS COUNTY SCHOOL DISTRICT  
 Budgetary Comparison Schedule for the 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	\$ 4,527,799	4,728,035	4,728,035	200,236	0
State sources	6,384,476	6,277,242	6,277,242	(107,234)	0
Federal sources	341,833	284,694	284,694	(57,139)	0
Sixteenth section sources	302,804	478,104	478,104	175,300	0
Total Revenues	11,556,912	11,768,075	11,768,075	211,163	0
Expenditures					
Instruction	6,547,765	5,895,163	5,895,163	652,602	0
Support services	5,302,407	5,123,248	5,124,748	179,159	(1,500)
Noninstructional services	4,000	3,750	3,750	250	0
Sixteenth section	126,629	71,549	71,549	55,080	0
Facilities acquisition and construction	0	1,500	0	(1,500)	1,500
Total Expenditures	11,980,801	11,095,210	11,095,210	885,591	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	(423,889)	672,865	672,865	1,096,754	0
Other Financing Sources (Uses)					
Operating transfers in	922,746	2,414,422	683,503	1,491,676	(1,730,919)
Operating transfers out	(509,464)	(1,754,876)	(4,220)	(1,245,412)	1,750,656
Total Other Financing Sources (Uses)	413,282	659,546	679,283	246,264	19,737
Net Change in Fund Balances			1,352,148		
Fund Balances					
July 1, 2016			7,547,109		
June 30, 2017			\$ 8,899,257		

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

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT  
 Budgetary Comparison Schedule for the Major Special Revenue Fund - Title I Part A 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	\$ 1,123,498	944,340	944,340	(179,158)	0
Total Revenues	<u>1,123,498</u>	<u>944,340</u>	<u>944,340</u>	<u>(179,158)</u>	<u>0</u>
Expenditures					
Instruction	335,604	388,120	388,120	(52,516)	0
Support services	530,901	348,202	348,202	182,699	0
Noninstructional services	38,168	22,522	22,522	15,646	0
Total Expenditures	<u>904,673</u>	<u>758,844</u>	<u>758,844</u>	<u>145,829</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>218,825</u>	<u>185,496</u>	<u>185,496</u>	<u>(33,329)</u>	<u>0</u>
Other Financing Sources (Uses)					
Operating transfers out	(218,825)	(185,496)	(185,496)	33,329	0
Total Other Financing Sources (Uses)	<u>(218,825)</u>	<u>(185,496)</u>	<u>(185,496)</u>	<u>33,329</u>	<u>0</u>
Net Change in Fund Balances			<u>0</u>		
Fund Balances					
July 1, 2016			<u>0</u>		
June 30, 2017			<u>\$ 0</u>		

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



JEFFERSON DAVIS COUNTY SCHOOL DISTRICT  
 Budgetary Comparison Schedule for the Major Special Revenue Fund - EHA Part B 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	\$ 497,618	476,923	476,923	(20,695)	0
Total Revenues	<u>497,618</u>	<u>476,923</u>	<u>476,923</u>	<u>(20,695)</u>	<u>0</u>
Expenditures					
Instruction	66,813	100,176	100,176	(33,363)	0
Support services	399,371	355,531	355,531	43,840	0
Noninstructional services	500		0	500	0
Total Expenditures	<u>466,684</u>	<u>455,707</u>	<u>455,707</u>	<u>10,977</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>30,934</u>	<u>21,216</u>	<u>21,216</u>	<u>(9,718)</u>	<u>0</u>
Other Financing Sources (Uses)					
Operating transfers out	(30,934)	(21,216)	(21,216)	9,718	0
Total Other Financing Sources (Uses)	<u>(30,934)</u>	<u>(21,216)</u>	<u>(21,216)</u>	<u>9,718</u>	<u>0</u>
Net Change in Fund Balances			<u>0</u>		
Fund Balances					
July 1, 2016			<u>0</u>		
June 30, 2017			<u>\$ 0</u>		

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

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT  
Schedule of the District's Proportionate Share of the Net Pension Liability  
PERS  
Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.134741%	0.135786%	0.142107%
District's proportionate share of the net pension liability (asset)	<u>\$ 24,068,107</u>	<u>20,989,838</u>	<u>17,249,188</u>
District's covered payroll	<u>\$ 8,619,803</u>	<u>8,483,111</u>	<u>8,679,498</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>279.22%</u>	<u>247.43%</u>	<u>198.73%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>57.47%</u>	<u>61.70%</u>	<u>67.21%</u>

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 the FYE 6-30-15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT  
Schedule of District Contributions  
PERS  
Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,273,554	1,357,619	1,336,090
Contributions in relation to the contractually required contribution	1,273,554	1,357,619	1,336,090
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>
District's covered payroll	\$ 8,086,057	8,619,803	8,483,111
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 the FYE 6-30-15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2017

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) Changes of assumptions

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%.

(2) Changes in benefit provisions

2016:

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.

## SUPPLEMENTARY INFORMATION

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JEFFERSON DAVIS 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 No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Direct Program:		
USDA Distance learning and telemedicine grant	10.855	\$ 46,733
Total		46,733
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	426,088
National school lunch program	10.555	911,115
Summer food service program for children	10.559	20,260
Total child nutrition cluster		1,357,463
Total passed-through Mississippi Department of Education		1,357,463
<b>Total U.S. Department of Agriculture</b>		<b>1,404,196</b>
<b><u>U.S. Department of Defense</u></b>		
Direct program:		
Reserve officers' training corps	12.xxx	92,799
<b>Total U.S. Department of Defense</b>		<b>92,799</b>
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	944,340
Career and technical education - basic grants to states	84.048	26,453
Rural education	84.358	41,696
Supporting effective instruction - state grants	84.367	277,774
Total		1,290,263
Special education cluster:		
Special education - grants to states	84.027	476,924
Special education - preschool grants	84.173	22,916
Total special education cluster		499,840
Total passed-through Mississippi Department of Education		1,790,103
<b>Total U.S. Department of Education</b>		<b>1,790,103</b>
<b>Total for All Federal Awards</b>		<b>\$ 3,287,098</b>

The notes to the Supplementary Information are an integral part of this schedule.

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2017

(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 assets, or cash flows of the School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) Indirect Cost Rate

The School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



JEFFERSON DAVIS COUNTY SCHOOL DISTRICT

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2017

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administrative</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 11,293,059	7,720,878	752,051	821,139	1,998,991
Other	4,845,080	951,294	246,232	7,574	3,639,980
Total	<u>16,138,139</u>	<u>8,672,172</u>	<u>998,283</u>	<u>828,713</u>	<u>5,638,971</u>
Total number of students	<u>1,275</u>				
Cost per student	<u>\$ 12,658</u>	<u>6,802</u>	<u>783</u>	<u>650</u>	<u>4,423</u>

Notes to the schedule.

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

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

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

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

Total number of students - the ADA report submission for month 9, which is the final submission for the fiscal year.

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## OTHER INFORMATION

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JEFFERSON DAVIS COUNTY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
General Fund  
Last Four Years

UNAUDITED

	2017	2016*	2015*	2014*
Revenues				
Local sources	\$ 4,728,035	4,621,230	4,471,827	4,100,469
State sources	6,277,242	6,552,223	6,508,865	6,760,357
Federal sources	284,694	325,581	312,190	1,131,209
Sixteenth section sources	478,104	291,416	533,490	382,711
Total Revenues	<u>11,768,075</u>	<u>11,790,450</u>	<u>11,826,372</u>	<u>12,374,746</u>
Expenditures				
Instruction	5,895,163	6,259,650	6,378,793	6,363,687
Support services	5,124,748	5,176,149	5,137,401	6,389,761
Noninstructional services	3,750	3,750	3,750	3,750
Sixteenth section	71,549	18,513	109,327	36,794
Facilities acquisition and construction	0	441,068	0	0
Debt service				
Advance refunding escrow	0	0	0	1,000
Total Expenditures	<u>11,095,210</u>	<u>11,899,130</u>	<u>11,629,271</u>	<u>12,796,242</u>
Excess (Deficiency) of Revenues Over (Under) Expen	<u>672,865</u>	<u>(108,680)</u>	<u>197,101</u>	<u>(421,496)</u>
Other Financing Sources (Uses)				
Insurance loss recoveries	0	0	0	5,206
Sale of transportation equipment	0	0	0	5,400
Operating transfers in	683,503	431,709	234,110	372,310
Operating transfers out	(4,220)	(354,063)	(11,645)	(472,478)
Total Other Financing Sources (Uses)	<u>679,283</u>	<u>77,646</u>	<u>222,465</u>	<u>(89,562)</u>
Net Change in Fund Balances	<u>1,352,148</u>	<u>(31,034)</u>	<u>419,566</u>	<u>(511,058)</u>
Fund Balances				
Beginning of period	<u>7,547,109</u>	<u>7,578,143</u>	<u>7,158,577</u>	<u>7,669,635</u>
End of period	<u>\$ 8,899,257</u>	<u>7,547,109</u>	<u>7,578,143</u>	<u>7,158,577</u>

\* Source - Prior year audit reports.

JEFFERSON DAVIS COUNTY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
All Governmental Funds  
Last Four Years

UNAUDITED

	2017	2016*	2015*	2014*
Revenues				
Local sources	\$ 5,278,772	5,143,608	4,890,647	4,524,882
State sources	7,716,623	7,955,398	7,952,656	8,346,195
Federal sources	3,159,191	3,509,335	3,633,614	4,177,375
Sixteenth section sources	1,002,180	2,251,052	1,432,254	1,620,247
Total Revenues	17,156,766	18,859,393	17,909,171	18,668,699
Expenditures				
Instruction	7,112,340	7,604,940	7,728,138	7,883,608
Support services	6,701,367	7,785,475	7,087,102	8,039,414
Noninstructional services	1,324,256	1,289,459	1,150,657	1,102,046
Sixteenth section	224,065	112,509	243,803	206,461
Facilities acquisition and construction	143,796	1,047,742	0	0
Debt service				
Principal	604,000	589,000	610,000	570,000
Interest	26,965	33,913	31,483	64,609
Advance refunding escrow	1,350	1,350	13,250	27,102
Total Expenditures	16,138,139	18,464,388	16,864,433	17,893,240
Excess (Deficiency) of Revenues Over (Under) Expen	1,018,627	395,005	1,044,738	775,459
Other Financing Sources (Uses)				
Proceeds of general obligation bonds	0	0	880,000	0
Proceeds of refunding bonds	0	0	0	1,783,000
Insurance loss recoveries	0	0	0	5,206
Sale of transportation equipment	0	0	0	5,400
Operating transfers in	924,839	1,026,075	462,216	1,058,788
Operating transfers out	(924,839)	(1,026,075)	(462,216)	(1,058,788)
Payment to refunded bond escrow agent	0	0	0	(1,757,912)
Total Other Financing Sources (Uses)	0	0	880,000	35,694
Net Change in Fund Balances	1,018,627	395,005	1,924,738	811,153
Fund Balances				
Beginning of period	38,094,269	37,697,204	35,768,608	34,966,870
Increase (Decrease) in reserve for inventory	4,167	2,060	3,858	(9,415)
End of period	\$ 39,117,063	38,094,269	37,697,204	35,768,608

\* Source - Prior year audit reports.

## REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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## 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*

### Independent Auditor's Report

Superintendent and School Board  
Jefferson Davis County School District

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson Davis County School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Jefferson Davis County School District's basic financial statements, and have issued my report thereon dated February 28, 2018.

### **Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Jefferson Davis County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jefferson Davis County School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Jefferson Davis County School District's internal control.

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

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Jefferson Davis County School District's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my 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.

*Charles L Shivers*

Charles L. Shivers, CPA, LLC  
Ridgeland, MS  
February 28, 2018

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

### Independent Auditor's Report

Superintendent and School Board  
Jefferson Davis County School District

#### **Report on Compliance for Each Major Federal Program**

I have audited Jefferson Davis 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 Davis County School District's major federal programs for the year ended June 30, 2017. Jefferson Davis County School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

My responsibility is to express an opinion on compliance for each of Jefferson Davis County School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jefferson Davis County School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

#### ***Opinion on Each Major Federal Program***

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

## Report on Internal Control Over Compliance

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

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I 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 my 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.

*Charles L Shivers*

Charles L. Shivers, CPA, LLC  
Ridgeland, MS  
February 28, 2018

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

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# CHARLES L. SHIVERS, CPA, LLC

*Certified Public Accountant*

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

Superintendent and School Board  
Jefferson Davis County School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson Davis County School District as of and for the year ended June 30, 2017, which collectively comprise Jefferson Davis County School District's basic financial statements and have issued my report thereon dated February 28, 2018. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, I 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 my audit and, accordingly, I do not express such an opinion.

The results of my 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 insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

The results of my 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, I 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 my audit and, accordingly, I do not express such an opinion.

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

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, 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.

*Charles L Shivers*

Charles L. Shivers, CPA, LLC  
Ridgeland, MS  
February 28, 2018

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## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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JEFFERSON DAVIS COUNTY SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
June 30, 2017

**Section I: Summary of Auditor's Results**

**Financial Statements:**

- |    |   |               |
|----|---|---------------|
| 1. | Type of auditor's report issued on the basic financial statements:                      | Unmodified    |
| 2. | Noncompliance material to the basic financial statements noted?                         | No            |
| 3. | Internal control over financial reporting:  |               |
|    | a. Material weaknesses identified?  | No            |
|    | b. Significant deficiency identified that are not considered to be material weaknesses? | None Reported |

**Federal Awards:**

- |    |  |               |
|----|--|---------------|
| 4. | Type of auditor's report issued on compliance for major federal programs:                            | Unmodified    |
| 5. | Internal control over major programs:  |               |
|    | a. Material weaknesses identified?   | No            |
|    | b. Significant deficiency identified that are not considered to be material weaknesses?              | None Reported |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No            |
| 7. | Federal program identified as major program:   |               |
|    | Title I grants to local educational agencies cluster   |               |
|    | CFDA #: 84.010   |               |
| 8. | The dollar threshold used to distinguish between type A and type B programs:                         | \$750,000     |
| 9. | Auditee qualified as a low-risk auditee?   | Yes           |

**Section II: Financial Statement Findings**

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

**Section III: Federal Award Findings and Questioned Costs**

Significant deficiencies identified that are not considered to be material weaknesses.

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