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JEFFERSON COUNTY SCHOOL DISTRICT
Audited Financial Statements
For the Year Ended June 30, 2019

L. Reeves CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT
BRANDON, MS 39042

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	7
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Exhibit A - Statement of Net Position	17
Exhibit B - Statement of Activities	18
Governmental Funds Financial Statements	
Exhibit C - Balance Sheet	19
Exhibit C-1 - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	20
Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances	21
Exhibit D-1 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	22
Fiduciary Funds Financial Statements	
Exhibit E - Statement of Fiduciary Net Position	23
Exhibit F - Statement of Changes in Fiduciary Net Position	24
Notes to the Financial Statements	27
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	51
Budgetary Comparison Schedule - Title I-A Basic Fund	52
Budgetary Comparison Schedule - EHA Part B Fund	53
Schedule of the District's Proportionate Share of the Net Pension Liability	55
Schedule of District Contributions (PERS)	56
Schedule of the District's Proportionate Share of the Net OPEB Liability	57
Schedule of District Contributions (OPEB)	58
Notes to the Required Supplementary Information	59
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	65
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	66
Notes to the Supplementary Information	67
OTHER INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years	71
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years	72
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
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	75
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	77
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	81
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	85

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Jefferson 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 County School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Jefferson County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted this 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 County School District, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 7-14, 51-53, 55, 56, 57, and 58, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 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.

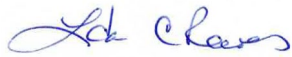
The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of Instructional, Administrative and Other Expenditures for 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 March 17, 2020, on my consideration of the Jefferson 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 County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jefferson County School District's internal control over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read "L. Reeves".

L. Reeves, CPA, PLLC
Brandon, Mississippi
March 17, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

The following discussion and analysis of Jefferson County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2019. 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 2019 decreased \$315,281, including a prior period adjustment of (\$492), which represents a 3% decrease from fiscal year 2018. Total net position for 2018 decreased \$2,651,557, including a prior period adjustment of (\$1,371,683), which represents a 31% decrease from fiscal year 2017.
- General revenues amounted to \$9,670,486 and \$9,523,082, or 76% and 76% of all revenues for fiscal years 2019 and 2018, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,981,299, or 24% of total revenues for 2019, and \$2,974,301, or 24% of total revenues for 2018.
- The District had \$12,966,574 and \$13,777,257 in expenses for fiscal years 2019 and 2018; only \$2,981,299 for 2019 and \$2,974,301 for 2018 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$9,670,486 for 2019 and \$9,523,082 for 2018 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$9,040,274 in revenues and \$9,391,284 in expenditures for 2019, and \$8,684,001 in revenues and \$9,291,213 in expenditures in 2018. The General Fund's fund balance decreased by \$254,744 from 2018 to 2019, including a prior period adjustment of (\$492), and decreased by \$450,967 from 2017 to 2018, including a prior period adjustment of (\$5,887).
- Capital assets, net of accumulated depreciation, decreased by \$167,652 for 2019 and decreased by \$166,791 for 2018. The decrease for 2019 was due to the disposal of mobile equipment coupled with the increase in accumulated depreciation.
- Long-term debt, excluding compensated absences payable, decreased by \$89,830 for 2019 and decreased by \$405,128 for 2018. The decrease for 2019 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$1,466 for 2019 and decreased by \$11,286 for 2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

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, OPEB expense, and interest on long-term liabilities.

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Position, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

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

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

JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

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 and net OPEB liability result in liabilities on the government-wide financial statements but are 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, Schedule of District Contributions (PERS), Schedule of the District's Proportionate Share of the Net OPEB Liability, and Schedule of District Contributions (OPEB) 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.

JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$11,460,735 as of June 30, 2019.

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, 2019 and June 30, 2018.

Table 1
Condensed Statement of Net Position

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Percentage Change</u>
Current assets	\$ 5,691,589	\$ 6,378,782	(10.77) %
Restricted assets	226,394	226,517	(0.05) %
Capital assets, net	2,498,838	2,666,490	(6.29) %
Total assets	<u>8,416,821</u>	<u>9,271,789</u>	(9.22) %
 Deferred outflows of resources	 <u>1,242,629</u>	 <u>1,845,421</u>	 (32.66) %
 Current liabilities	 109,938	 641,388	 (82.86) %
Long-term debt outstanding	762,973	851,337	(10.38) %
Net OPEB liability	1,256,137	1,312,443	(4.29) %
Net pension liability	17,130,297	18,450,970	(7.16) %
Total liabilities	<u>19,259,345</u>	<u>21,256,138</u>	(9.39) %
 Deferred inflows of resources	 <u>1,860,840</u>	 <u>1,006,526</u>	 84.88 %
 Net position:			
Net investment in capital assets	2,200,838	2,323,490	(5.28) %
Restricted	1,386,339	1,292,412	7.27 %
Unrestricted	(15,047,912)	(14,761,356)	(1.94) %
Total net position	<u>\$ (11,460,735)</u>	<u>\$ (11,145,454)</u>	(2.83) %

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (15,047,912)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the related deferred outflows and deferred inflows	<u>19,004,645</u>
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 3,956,733</u>

JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

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 \$167,652.
- Issuance of a shortfall note in the amount of \$70,335.
- The principal retirement of \$160,165 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2019 and June 30, 2018 were \$12,651,785 and \$12,497,383, respectively. The total cost of all programs and services was \$12,966,574 for 2019 and \$13,777,257 for 2018.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2019 and June 30, 2018.

Table 2
Changes in Net Position

	Year Ended June 30, 2019	Year Ended June 30, 2018	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 197,178	\$ 127,195	55.02 %
Operating grants and contributions	2,784,121	2,847,106	(2.21) %
General revenues:			
Property taxes	2,357,569	2,291,002	2.91 %
Grants and contributions not restricted	6,870,047	6,903,232	(0.48) %
Investment earnings	43,802	14,745	197.06 %
Sixteenth section sources	390,721	302,501	29.16 %
Other	8,347	11,602	(28.06) %
Total revenues	12,651,785	12,497,383	1.24 %
Expenses:			
Instruction	5,791,148	5,763,388	0.48 %
Support services	5,109,480	5,006,045	2.07 %
Non-instructional	759,699	806,764	(5.83) %
Sixteenth section	55,293	28,894	91.36 %
Pension expense	1,181,256	2,083,627	(43.31) %
OPEB expense	46,046	57,425	(19.82) %
Interest on long-term liabilities	23,652	31,114	(23.98) %
Total expenses	12,966,574	13,777,257	(5.88) %
Increase (Decrease) in net position	(314,789)	(1,279,874)	75.40 %
Net Position, July 1, as previously reported	(11,145,454)	(8,493,897)	(31.22) %
Prior Period Adjustment	(492)	(1,371,683)	99.96 %
Net Position, July 1, as restated	(11,145,946)	(9,865,580)	(12.98) %
Net Position, June 30	\$ (11,460,735)	\$ (11,145,454)	(2.83) %

JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

Governmental activities

The following table presents the cost of seven major District functional activities: instruction, support services, non-instructional, sixteenth section, pension expense, OPEB 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
	2019	2018	
Instruction	\$ 5,791,148	\$ 5,763,388	0.48 %
Support services	5,109,480	5,006,045	2.07 %
Non-instructional	759,699	806,764	(5.83) %
Sixteenth section	55,293	28,894	91.36 %
Pension Expense	1,181,256	2,083,627	(43.31) %
OPEB Expense	46,046	57,425	(19.82) %
Interest on long-term liabilities	23,652	31,114	(23.98) %
Total expenses	\$ 12,966,574	\$ 13,777,257	(5.88) %

	Net (Expense) Revenue		Percentage Change
	2019	2018	
Instruction	\$ (4,677,983)	\$ (4,732,122)	1.14 %
Support services	(4,193,592)	(4,040,707)	(3.78) %
Non-instructional	160,147	170,933	(6.31) %
Sixteenth section	(22,893)	(28,894)	20.77 %
Pension Expense	(1,181,256)	(2,083,627)	43.31 %
OPEB Expense	(46,046)	(57,425)	19.82 %
Interest on long-term liabilities	(23,652)	(31,114)	23.98 %
Total net (expense) revenue	\$ (9,985,275)	\$ (10,802,956)	7.57 %

- Net cost of governmental activities (\$9,985,275 for 2019 and \$10,802,956 for 2018) was financed by general revenue, which is primarily made up of property taxes (\$2,357,569 for 2019 and \$2,291,002 for 2018) and state and federal revenues (\$6,870,047 for 2019 and \$6,903,232 for 2018). In addition, there was \$390,721 and \$302,501 in Sixteenth Section sources for 2019 and 2018, respectively.
- Investment earnings amounted to \$43,802 for 2019 and \$14,745 for 2018.

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

JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$5,829,312, a decrease of \$156,343, which includes a prior period adjustment of (\$492) and an increase in inventory of \$276. \$4,368,221, or 75% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$1,461,091, or 25% 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 decrease in fund balance in the General Fund for the fiscal year was \$254,744, which includes a prior period adjustment of (\$492). The fund balance of Other Governmental Funds showed an increase in the amount of \$125,918, which includes an increase in inventory of \$276. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I-A Basic Fund	no increase or decrease
EHA Part B Fund	no increase or decrease
Debt Service Fund	\$ (27,517)

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 each major special revenue fund is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2019, the District's total capital assets were \$7,763,303, including land, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a decrease of \$52,000 from 2018 related to the disposal of mobile equipment. Total accumulated depreciation as of June 30, 2019, was \$5,264,465, and total depreciation expense for the year was \$162,452, resulting in total net capital assets of \$2,498,838.

JEFFERSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Percentage Change</u>
Land	\$ 19,828	\$ 19,828	0.00 %
Buildings	1,526,498	1,560,509	(2.18) %
Building improvements	343,395	377,735	(9.09) %
Improvements other than buildings	52,363	56,356	(7.09) %
Mobile equipment	532,450	616,570	(13.64) %
Furniture and equipment	24,304	35,492	(31.52) %
Total	<u>\$ 2,498,838</u>	<u>\$ 2,666,490</u>	(6.29) %

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

Debt Administration. At June 30, 2019, the District had \$762,973 in outstanding long-term debt, of which \$154,795 is due within one year. During the fiscal year, the District received proceeds from the issuance of a shortfall note in the amount of \$70,335. The District made principal payments totaling \$160,165 on outstanding long-term debt. The liability for compensated absences increased \$1,466 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Percentage Change</u>
Three mill notes payable	\$ 596,000	\$ 686,000	(13.12) %
Shortfall notes payable	107,673	107,503	0.16 %
Compensated absences payable	59,300	57,834	2.53 %
Total	<u>\$ 762,973</u>	<u>\$ 851,337</u>	(10.38) %

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

CURRENT ISSUES

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

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JEFFERSON COUNTY SCHOOL DISTRICT

**Statement of Net Position
June 30, 2019**

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 5,073,624
Due from other governments	538,015
Other receivables, net	53,074
Inventories	26,876
Restricted assets	226,394
Capital assets, non-depreciable:	
Land	19,828
Capital assets, net of accumulated depreciation:	
Buildings	1,526,498
Building improvements	343,395
Improvements other than buildings	52,363
Mobile equipment	532,450
Furniture and equipment	24,304
Total Assets	<u>8,416,821</u>
 Deferred Outflows of Resources	
Deferred outflows - pensions	1,183,210
Deferred outflows - OPEB	59,419
Total Deferred Outflows of Resources	<u>1,242,629</u>
 Liabilities	
Accounts payable and accrued liabilities	88,671
Interest payable on long-term liabilities	21,267
Long-term liabilities, due within one year:	
Capital related liabilities	46,000
Non-capital related liabilities	108,795
Net OPEB liability	54,273
Long-term liabilities, due beyond one year:	
Capital related liabilities	252,000
Non-capital related liabilities	356,178
Net pension liability	17,130,297
Net OPEB liability	1,201,864
Total Liabilities	<u>19,259,345</u>
 Deferred Inflows of Resources	
Deferred inflows - pensions	1,701,061
Deferred inflows - OPEB	159,779
Total Deferred Inflows of Resources	<u>1,860,840</u>
 Net Position	
Net investment in capital assets	2,200,838
Restricted for:	
Expendable:	
School-based activities	651,169
Debt service	125,094
Capital improvements	64,091
Forestry improvements	293,570
Unemployment benefits	30,972
Non-expendable:	
Sixteenth section	221,443
Unrestricted	(15,047,912)
Total Net Position (deficit)	<u>\$ (11,460,735)</u>

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

JEFFERSON COUNTY SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 5,791,148	\$ 119,343	\$ 993,822	\$ -	\$ (4,677,983)
Support services	5,109,480	6,770	909,118	-	(4,193,592)
Non-instructional	759,699	38,665	881,181	-	160,147
Sixteenth section	55,293	32,400	-	-	(22,893)
Pension expense	1,181,256	-	-	-	(1,181,256)
OPEB expense	46,046	-	-	-	(46,046)
Interest on long-term liabilities	23,652	-	-	-	(23,652)
Total Governmental Activities	\$ 12,966,574	\$ 197,178	\$ 2,784,121	\$ -	\$ (9,985,275)

General Revenues:

Taxes:

General purpose levies

2,228,375

Debt purpose levies

129,194

Unrestricted grants and contributions:

State

6,616,480

Federal

253,567

Unrestricted investment earnings

43,802

Sixteenth section sources

390,721

Other

8,347

Total General Revenues

9,670,486

Change in Net Position

(314,789)

Net Position - Beginning, as previously reported

(11,145,454)

Prior Period Adjustments

(492)

Net Position - Beginning, as restated

(11,145,946)

Net Position (deficit) - Ending

\$ (11,460,735)

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

JEFFERSON COUNTY SCHOOL DISTRICT

Governmental Funds

Balance Sheet

Exhibit C

June 30, 2019

	Major Funds				Other	Total
	General	Title I-A Basic	EHA Part B	Debt Service	Governmental	Governmental
	Fund	Fund	Fund	Fund	Funds	Funds
Assets						
Cash and cash equivalents	\$ 3,817,325	\$ -	\$ 814	\$ 140,310	\$ 1,341,569	\$ 5,300,018
Due from other governments	129,793	181,955	73,617	3,011	144,071	532,447
Other receivables, net	53,074	-	-	-	-	53,074
Due from other funds	500,100	-	-	-	-	500,100
Inventories	-	-	-	-	26,876	26,876
Total assets	\$ 4,500,292	\$ 181,955	\$ 74,431	\$ 143,321	\$ 1,512,516	\$ 6,412,515
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 83,537	\$ -	\$ 814	\$ -	\$ 4,320	\$ 88,671
Due to other funds	-	181,955	73,617	111,095	127,865	494,532
Total Liabilities	83,537	181,955	74,431	111,095	132,185	583,203
Fund Balances:						
Nonspendable:						
Inventory	-	-	-	-	26,876	26,876
Permanent fund principal	-	-	-	-	221,443	221,443
Restricted:						
Debt service	-	-	-	32,226	114,135	146,361
Capital projects	-	-	-	-	64,091	64,091
Forestry improvement purposes	-	-	-	-	293,570	293,570
Grant activities	-	-	-	-	144,720	144,720
Unemployment benefits	-	-	-	-	30,972	30,972
Child nutrition	-	-	-	-	479,573	479,573
Sixteenth section	-	-	-	-	4,951	4,951
Assigned:						
Activity funds	40,991	-	-	-	-	40,991
Other purposes	7,543	-	-	-	-	7,543
Unassigned	4,368,221	-	-	-	-	4,368,221
Total Fund Balances	4,416,755	-	-	32,226	1,380,331	5,829,312
Total Liabilities and Fund Balances	\$ 4,500,292	\$ 181,955	\$ 74,431	\$ 143,321	\$ 1,512,516	\$ 6,412,515

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

JEFFERSON COUNTY SCHOOL DISTRICT

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2019

Exhibit C-1

Total fund balances for governmental funds	\$ 5,829,312
---	---------------------

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

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

Land	\$ 19,828	
Buildings	4,127,471	
Building improvements	858,489	
Improvements other than buildings	161,986	
Mobile equipment	2,108,596	
Furniture and equipment	486,933	
Accumulated depreciation	<u>(5,264,465)</u>	2,498,838

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

Net pension liability	(17,130,297)
-----------------------	--------------

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

Deferred outflows of resources related to pensions	1,183,210	
Deferred inflows of resources related to pensions	<u>(1,701,061)</u>	(17,648,148)

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

Net OPEB liability	(1,256,137)
--------------------	-------------

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

Deferred outflows of resources related to OPEB	59,419	
Deferred inflows of resources related to OPEB	<u>(159,779)</u>	(1,356,497)

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

Notes payable	(703,673)	
Compensated absences	(59,300)	
Accrued interest payable	<u>(21,267)</u>	(784,240)

Net Position of governmental activities	\$ <u>(11,460,735)</u>
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The notes to the financial statements are an integral part of this statement.

JEFFERSON COUNTY SCHOOL DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2019

Exhibit D

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Title I-A Basic Fund	EHA Part B Fund	Debt Service Fund		
Revenues:						
Local sources	\$ 2,361,506	\$ -	\$ -	\$ 83,578	\$ 91,621	\$ 2,536,705
State sources	5,986,463	-	-	-	1,032,333	7,018,796
Federal sources	274,720	626,137	340,382	-	1,394,135	2,635,374
Sixteenth section sources	417,585	-	-	-	36,625	454,210
Total Revenues	9,040,274	626,137	340,382	83,578	2,554,714	12,645,085
Expenditures:						
Instruction	5,135,416	296,582	122,441	-	968,643	6,523,082
Support services	4,230,505	236,733	217,941	-	626,608	5,311,787
Noninstructional	-	92,822	-	-	704,910	797,732
Sixteenth section	25,363	-	-	-	29,930	55,293
Debt service:						
Principal	-	-	-	90,000	70,165	160,165
Interest	-	-	-	21,095	3,034	24,129
Total Expenditures	9,391,284	626,137	340,382	111,095	2,403,290	12,872,188
Excess (Deficiency) of Revenues over (under) Expenditures	(351,010)	-	-	(27,517)	151,424	(227,103)
Other Financing Sources (Uses):						
Bonds and notes issued	70,335	-	-	-	-	70,335
Insurance recovery	6,700	-	-	-	-	6,700
Operating transfers in	63,650	-	-	-	43,927	107,577
Operating transfers out	(43,927)	-	-	-	(63,650)	(107,577)
Other financing uses	-	-	-	-	(6,059)	(6,059)
Total Other Financing Sources (Uses)	96,758	-	-	-	(25,782)	70,976
Net Change in Fund Balances	(254,252)	-	-	(27,517)	125,642	(156,127)
Fund Balances:						
July 1, 2018, as previously reported	4,671,499	-	-	59,743	1,254,413	5,985,655
Prior period adjustments	(492)	-	-	-	-	(492)
July 1, 2018, as restated	4,671,007	-	-	59,743	1,254,413	5,985,163
Increase (Decrease) in inventory	-	-	-	-	276	276
June 30, 2019	\$ 4,416,755	\$ -	\$ -	\$ 32,226	\$ 1,380,331	\$ 5,829,312

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

JEFFERSON COUNTY SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2019**

Exhibit D-1

Net change in fund balances - total governmental funds \$ (156,127)

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

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

Depreciation expense	<u>(162,452)</u>	(162,452)
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2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold. (5,200)

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

Bonds and notes issued	(70,335)	
Payments of debt principal	160,165	
Accrued interest payable	<u>477</u>	90,307

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

Pension expense	(1,181,256)	
Contributions subsequent to the measurement date	<u>1,090,314</u>	(90,942)

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

OPEB expense	(46,046)	
Contributions subsequent to the measurement date	<u>56,861</u>	10,815

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

Change in compensated absences	(1,466)	
Change in inventory	<u>276</u>	(1,190)

Change in Net Position of governmental activities		<u><u>\$ (314,789)</u></u>
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The notes to the financial statements are an integral part of this statement.

JEFFERSON COUNTY SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Net Position
June 30, 2019

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 1,500	\$ 596,341
Total Assets	<u>1,500</u>	<u><u>596,341</u></u>
Liabilities		
Accounts payable and accrued liabilities	-	\$ 584,779
Due to other funds	-	5,568
Due to student clubs	-	5,994
Total Liabilities	<u>-</u>	<u><u>596,341</u></u>
Net Position		
Reserved for endowments	<u>1,500</u>	
Total Net Position	<u><u>\$ 1,500</u></u>	

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

JEFFERSON COUNTY SCHOOL DISTRICT

Fiduciary Funds

**Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2019**

Exhibit F

	Private-Purpose Trust Funds
Additions	
Interest on investments	\$ -
Contributions and donations from private sources	-
Total Additions	-
Deductions	
Scholarships awarded	-
Total Deductions	-
Change in Net Position	-
Net Position	
July 1, 2018	1,500
June 30, 2019	\$ 1,500

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

NOTES TO THE FINANCIAL STATEMENTS

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JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2019

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2019

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

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

The School District reports the following major governmental funds:

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

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

EHA Part B Fund - This is a special revenue fund that accounts for federal sources received and expenditures incurred related to the district's Special Education Program.

Debt Service Fund - This is a debt service fund that accounts for local sources received and expenditures incurred to pay principal and interest payments on long-term debt.

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

The School District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

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

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

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

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

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

Additionally, the School District reports the following fund types:

GOVERNMENTAL FUNDS

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

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

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2019

the acquisition or construction of capital facilities and other capital assets.

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

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

FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2019

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

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

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

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

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2019

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 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

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

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

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

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2019

The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows/inflows of resources

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

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 deferred inflows which are presented as a deferred inflow related to pensions and a deferred inflow related to OPEB.

See Note 14 for further details.

8. Compensated Absences

Employees of the School District accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by School District policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with School District policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

9. Long-term Liabilities and Bond Discounts/Premiums

In the government-wide financial statements, outstanding debt is reported as liabilities.

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2019

Bond discounts or premiums and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for details.

10. Pensions

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

11. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recorded when the OPEB benefits come due. Investments are reported at fair value as determined by the state.

12. Fund Balances

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

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

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

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

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

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. For governmental

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2019

funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent and the Business Manager pursuant to authorization established by the District's approved fund balance policy.

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

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

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

Note 2 – Cash and Cash Equivalents

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits 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.

The carrying amount of the School District's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$5,300,018 and \$597,841, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2019, none of the district's bank balance of \$6,371,578 was exposed to custodial credit risk.

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2019

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I-A Basic Fund	\$ 181,955
	EHA Part B Fund	73,617
	Debt Service Fund	111,095
	Other governmental funds	127,865
	Fiduciary funds	5,568
Total		<u>\$ 500,100</u>

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

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 43,927
Other governmental funds	General Fund	63,650
Total		<u>\$ 107,577</u>

Operating transfers were for the following: indirect costs, unemployment compensation transfers, debt service transfers, and other routine operating transfers.

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling \$226,394 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2019

Note 5 – Capital Assets

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

	Balance 7/1/2018	Increases	Decreases	Balance 6/30/2019
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 19,828	\$	\$	19,828
Total non-depreciable capital assets	19,828	-	-	19,828
<u>Depreciable capital assets:</u>				
Buildings	4,127,471			4,127,471
Building improvements	858,489			858,489
Improvements other than buildings	161,986			161,986
Mobile equipment	2,160,596		52,000	2,108,596
Furniture and equipment	486,933			486,933
Total depreciable capital assets	7,795,475	-	52,000	7,743,475
<u>Less accumulated depreciation for:</u>				
Buildings	2,566,962	34,011		2,600,973
Building improvements	480,754	34,340		515,094
Improvements other than buildings	105,630	3,993		109,623
Mobile equipment	1,544,026	78,920	46,800	1,576,146
Furniture and equipment	451,441	11,188		462,629
Total accumulated depreciation	5,148,813	162,452	46,800	5,264,465
Total depreciable capital assets, net	2,646,662	(162,452)	5,200	2,479,010
Governmental activities capital assets, net	\$ 2,666,490	\$ (162,452)	\$ 5,200	\$ 2,498,838

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 64,004
Support services	78,920
Non-instructional	19,528
Total depreciation expense	<u>\$ 162,452</u>

Note 6 – Long-term Liabilities

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

	Balance 7/1/2018	Additions	Reductions	Balance 6/30/2019	Amounts due within one year
A. Three mill notes payable	\$ 686,000	\$	\$ 90,000	\$ 596,000	\$ 92,000
B. Shortfall notes payable	107,503	70,335	70,165	107,673	59,830
C. Compensated absences payable	57,834	1,466		59,300	2,965
Total	\$ 851,337	\$ 71,801	\$ 160,165	\$ 762,973	\$ 154,795

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2019

A. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax note,					
Series 2014	1.5%-3.7%	7/22/2014	7/22/2024	\$ 940,000	\$ 596,000
Total				<u>\$ 940,000</u>	<u>\$ 596,000</u>

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

Year Ending June 30	Principal	Interest	Total
2020	\$ 92,000	\$ 18,891	\$ 110,891
2021	95,000	16,452	111,452
2022	97,000	13,698	110,698
2023	100,000	10,739	110,739
2024	105,000	7,529	112,529
2025	107,000	3,959	110,959
Total	<u>\$ 596,000</u>	<u>\$ 71,268</u>	<u>\$ 667,268</u>

This debt will be retired from the Debt Service Fund.

B. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Shortfall note, Series 2017	2.50%	9/1/2016	9/1/2019	\$ 109,304	\$ 37,338
2. Shortfall note, Series 2018	4.21%	7/27/2018	7/27/2021	70,335	70,335
Total				<u>\$ 179,639</u>	<u>\$ 107,673</u>

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

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

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

Year Ending June 30	Principal	Interest	Total
2020	\$ 37,338	\$ 933	\$ 38,271
Total	<u>\$ 37,338</u>	<u>\$ 933</u>	<u>\$ 38,271</u>

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2019

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

2. Shortfall notes payable issued on July 27, 2018:

Year Ending June 30	Principal	Interest	Total
2020	\$ 22,492	\$ 2,961	\$ 25,453
2021	23,438	2,015	25,453
2022	24,405	1,048	25,453
Total	\$ 70,335	\$ 6,024	\$ 76,359

This debt will be retired from the Operation Shortfall 2018 Debt Service Fund.

Total shortfall notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2020	\$ 59,830	\$ 3,894	\$ 63,724
2021	23,438	2,015	25,453
2022	24,405	1,048	25,453
Total	\$ 107,673	\$ 6,957	\$ 114,630

C. 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 is available at www.pers.ms.gov.

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

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2019

members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter.

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, 2019 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, 2019, 2018 and 2017 were \$1,090,314, \$1,035,857 and \$1,121,453, 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, 2019, the School District reported a liability of \$17,130,297 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2019 net pension liability was 0.102990 percent, which was based on a measurement date of June 30, 2018. This was a decrease of 0.008004 percent from its proportionate share used to calculate the June 30, 2018 net pension liability, which was based on a measurement date of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$1,181,256. At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 82,003	\$ 77,825
Net difference between projected and actual earnings on pension plan investments		304,218
Changes of assumptions	10,893	10,574
Changes in proportion and differences between District contributions and proportionate share of contributions		1,308,444
District contributions subsequent to the measurement date	1,090,314	
Total	\$ <u>1,183,210</u>	\$ <u>1,701,061</u>

\$1,090,314 reported as deferred outflows of resources related to pensions resulting from School District

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2019

contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2020. 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:	
2020	\$ (327,091)
2021	(465,685)
2022	(738,353)
2023	(77,036)

Actuarial assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.25-18.50 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 2022, with males rates set forward one year for males with adjustments.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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	27.00	%	4.60	%
International Equity	18.00		4.50	
Emerging Markets Equity	4.00		4.75	
Global	12.00		4.75	
Fixed Income	18.00		0.75	
Real Estate	10.00		3.50	
Private Equity	8.00		5.10	
Emerging Debt	2.00		2.25	
Cash	1.00		0.00	
Total	<u>100</u>	<u>%</u>		

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 (9.00%) and that employer contributions will be made at the

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2019

former employer contribution rate (15.75%) through June 30, 2019 and at the current contribution rate (17.40%) thereafter. 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 table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75%, 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%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 22,555,685	\$ 17,130,297	\$ 12,621,083

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 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

Plan description. State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. The plan issues a publicly available financial report that can be obtained at <http://knowyourbenefits.dfa.ms.gov/>.

Benefits provided.

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public School Districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2019

are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare Eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$56,861 for the year ended June 30, 2019.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

At June 30, 2019, the District reported a liability of \$1,256,137 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2018, the District's proportion was 0.16238601 percent. This was a decrease of 0.00488744 percent from the proportionate share as of the measurement date of June 30, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$46,046. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,558	\$
Changes of assumptions		89,502
Net difference between projected and actual earnings on OPEB plan investments		
Changes in proportion and differences between District contributions and proportionate share of contributions		70,277
District contributions subsequent to the measurement date	56,861	
Total	\$ <u>59,419</u>	\$ <u>159,779</u>

\$56,861 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2019

Year Ending June 30:

2020	\$ (31,592)
2021	(31,592)
2022	(31,592)
2023	(31,592)
2024	(25,860)
Thereafter	(4,993)

Actuarial assumptions. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00 percent
Salary increases	3.25-18.50 percent, including wage inflation
Long-term Investment Rate of Return, net of OPEB plan investment expense, including inflation	4.50%
Municipal Bond Index Rate	
Measurement Date	3.89%
Prior Measurement Date	3.56%
Year FNP is projected to be depleted	
Measurement Date	2018
Prior Measurement Date	2017
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.89%
Prior Measurement Date	3.56%
Health Care Cost Trends	
Medicare Supplement Claims	7.25 percent for 2018 decreasing to an ultimate rate of 4.75% by 2028
Pre-Medicare	

Both pre-retirement and post-retirement mortality rates were based on the RP 2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, male rates set forward 1 year and adjusted by 106% for males at all ages, and females adjusted to 90% for ages less than 76, 95% for age 76, 105% for age 78 and 110% for ages 79 and greater. Post-disability mortality rates were based on the RP 2014 Disabled Retiree Mortality Table set forward 4 years for males and 3 years for females.

The demographic actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study dated April 18, 2017.

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2019

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation.

The long-term investment rate of return, net of OPEB plan investment expense, including inflation was 4.50%.

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.89 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.56% to 3.89%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. The fiduciary net position is projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both June 30, 2017 and the June 30, 2018. The discount rate used to measure the total OPEB liability at June 30, 2018 was based on an average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by Bond Buyer.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate.

The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89 percent) or 1-percentage-point higher (4.89 percent) than the current discount rate:

	1% Decrease (2.89%)	Current Discount Rate (3.89%)	1% Increase (4.89%)
Net OPEB liability	\$ 1,392,397	\$ 1,256,137	\$ 1,138,949

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 1,163,598	\$ 1,256,137	\$ 1,361,235

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in a separately issued report that can be found at <http://knowyourbenefits.dfa.ms.gov/>.

Note 9 – Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the School District for the use of school trust lands. These future rental

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2019

payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30	Amount
2020	\$ 113,694
2021	83,960
2022	352
2023	352
2024	352
2025 – 2029	1,757
2030 – 2034	1,757
2035 – 2039	1,123
Thereafter	1,680
Total	<u>\$ 205,027</u>

Note 10 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
To correct unrecorded payment in prior year at the governmental fund level	\$ (492)
Total	<u>\$ (492)</u>

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

Fund	Explanation	Amount
General Fund	To correct unrecorded payment in prior year	\$ (492)
Total		<u>\$ (492)</u>

Note 11 – Contingencies

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

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

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2019

Note 12 – Risk Management

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

Participation in Public Entity Risk Pool

The School District is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 58 School Districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member School Districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 13 - Insurance loss recoveries

The Jefferson County School District received \$6,700 in insurance loss recoveries during the 2018-2019 fiscal year related to property damages. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and were allocated to the support services expense function.

Note 14 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$15,047,912) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$1,090,314 resulting from the School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. The \$92,896 balance of deferred outflow of resources related to pensions at June 30, 2019, will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$15,047,912) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$1,701,061 balance of deferred inflow of resources related to pensions at June 30, 2019, will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$15,047,912) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$56,861 resulting from the School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. The \$2,558 balance of deferred outflow of resources related to OPEB at June 30, 2019, will be

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2019

recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The unrestricted net position amount of (\$15,047,912) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$159,779 balance of deferred inflow of resources related to OPEB at June 30, 2019, will be recognized as revenue and will increase the unrestricted net position over the next 6 years.

Note 15 – Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Jefferson County School District evaluated the activity of the district through March 17, 2020 and determined that one subsequent event had occurred that would require disclosure in the notes to the financial statements. On July 16, 2019 the school board approved the issuance of a \$221,892 shortfall note.

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REQUIRED SUPPLEMENTARY INFORMATION

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JEFFERSON COUNTY SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 2,567,590	\$ 2,361,506	\$ 2,361,506	\$ (206,084)	\$ -
State sources	5,971,171	5,986,463	5,986,463	15,292	-
Federal sources	56,500	274,720	274,720	218,220	-
Sixteenth section sources	165,000	417,585	417,585	252,585	-
Total Revenues	8,760,261	9,040,274	9,040,274	280,013	-
Expenditures:					
Instruction	5,640,609	5,134,934	5,135,416	505,675	(482)
Support services	4,541,761	4,230,505	4,230,505	311,256	-
Sixteenth section	-	25,363	25,363	(25,363)	-
Total Expenditures	10,182,370	9,390,802	9,391,284	791,568	(482)
Excess (Deficiency) of Revenues over (under) Expenditures					
	(1,422,109)	(350,528)	(351,010)	1,071,581	(482)
Other Financing Sources (Uses):					
Bonds and notes issued	70,335	70,335	70,335	-	-
Insurance recovery	-	6,700	6,700	6,700	-
Operating transfers in	1,777,600	66,436	63,650	(1,711,164)	(2,786)
Operating transfers out	(1,758,133)	(46,713)	(43,927)	1,711,420	2,786
Total Other Financing Sources (Uses)	89,802	96,758	96,758	6,956	-
Net Change in Fund Balances					
	(1,332,307)	(253,770)	(254,252)	1,078,537	(482)
Fund Balances:					
July 1, 2018, as previously reported	4,351,862	4,658,050	4,671,499	306,188	13,449
Prior period adjustments	-	12,957	(492)	12,957	(13,449)
July 1, 2018, as restated	4,351,862	4,671,007	4,671,007	319,145	-
June 30, 2019	\$ 3,019,555	\$ 4,417,237	\$ 4,416,755	\$ 1,397,682	\$ (482)

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

JEFFERSON COUNTY SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

Title I-A Basic Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variances	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 730,935	\$ 819,884	\$ 626,137	\$ 88,949	\$ (193,747)
Total Revenues	730,935	819,884	626,137	88,949	(193,747)
Expenditures:					
Instruction	327,651	355,113	296,582	(27,462)	58,531
Support services	295,353	352,348	236,733	(56,995)	115,615
Noninstructional	107,931	98,264	92,822	9,667	5,442
Total Expenditures	730,935	805,725	626,137	(74,790)	179,588
Excess (Deficiency) of Revenues over (under) Expenditures	-	14,159	-	14,159	(14,159)
Other Financing Sources (Uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	-	14,159	-	14,159	(14,159)
Fund Balances:					
July 1, 2018	-	-	-	-	-
June 30, 2019	\$ -	\$ 14,159	\$ -	\$ 14,159	\$ (14,159)

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

JEFFERSON COUNTY SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

EHA Part B Fund

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 326,910	\$ 379,464	\$ 340,382	\$ 52,554	\$ (39,082)
Total Revenues	326,910	379,464	340,382	52,554	(39,082)
Expenditures:					
Instruction	75,423	124,145	122,441	(48,722)	1,704
Support services	247,721	253,803	217,941	(6,082)	35,862
Noninstructional	3,766	1,766	-	2,000	1,766
Total Expenditures	326,910	379,714	340,382	(52,804)	39,332
Excess (Deficiency) of Revenues over (under) Expenditures	-	(250)	-	(250)	250
Other Financing Sources (Uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	-	(250)	-	(250)	250
Fund Balances:					
July 1, 2018	-	-	-	-	-
June 30, 2019	\$ -	\$ (250)	\$ -	\$ (250)	\$ 250

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

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Jefferson County School District

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

PERS

Last 10 Fiscal Years*

	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.102990%	0.110994%	0.115097%	0.115357%	0.112978%
District's proportionate share of the net pension liability	\$ 17,130,297	18,450,970	20,559,198	17,831,917	13,713,461
District's covered payroll	6,576,870	7,120,337	7,363,035	7,206,730	6,900,419
District's proportionate share of the net pension liability as a percentage of its covered payroll	260.46%	259.13%	279.22%	247.43%	198.73%
Plan fiduciary net position as a percentage of the total pension liability	63%	61%	57%	62%	67%

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

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

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

		2019	2018	2017	2016	2015
Contractually required contribution	\$	1,090,314	1,035,857	1,121,453	1,159,678	1,135,082
Contributions in relation to the contractually required contribution		1,090,314	1,035,857	1,121,453	1,159,678	1,135,082
Contribution deficiency (excess)	\$	-	-	-	-	-
District's covered payroll		6,922,629	6,576,870	7,120,337	7,363,035	7,206,870
Contributions as a percentage of covered payroll		15.75%	15.75%	15.75%	15.75%	15.75%

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

Jefferson County School District

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

OPEB

Last 10 Fiscal Years*

	2019	2018
District's proportion of the net OPEB liability	0.16238601%	0.16727345%
District's proportionate share of the net OPEB liability	\$ 1,256,137	1,312,443
District's covered - employee payroll	7,344,609	7,515,136
District's proportionate share of the net OPEB liability as a percentage of its covered - employee payroll	17.10%	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	0.13%	0.00%

* 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, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

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

Jefferson County School District
Schedule of District Contributions
OPEB
Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 56,861	\$ 55,951
Contributions in relation to the actuarially determined contribution	56,861	55,951
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	6,922,629	6,576,870
Contributions as a percentage of covered - employee payroll	0.82%	0.85%

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in FYE 6/30/18, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available. Prior year information is based on historical amounts reported in prior year audit report(s).

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

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Required Supplementary Information For Year Ended June 30, 2019

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%.

2017:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumption was reduced from 3.75% to 3.25%.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Required Supplementary Information For Year Ended June 30, 2019

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

(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.

(3) *Method and assumptions used in calculations of actuarially determined contributions.*

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2016 valuation for the June 30, 2018 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	36.6 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

OPEB Schedules

(1) *Changes of assumptions*

2017: The discount rate was changed from 3.01% for the prior Measurement Date to 3.56% for the current Measurement Date.

2018: The discount rate was changed from 3.56% for the prior Measurement Date to 3.89% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017: None

2018: None

(3) *Methods and assumptions used in calculations of Actuarially Determined Contributions.* The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2017 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2018:

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Required Supplementary Information
For Year Ended June 30, 2019

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	3%
Salary increases, including wage inflation	3.25% to 18.50%
Initial health care cost trend rates	
Medicare Supplement Claims	7.75%
Pre-Medicare	
Ultimate health care cost trend rates	
Medicare Supplement Claims	5.00%
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2023
Pre-Medicare	
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56%

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SUPPLEMENTARY INFORMATION

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JEFFERSON COUNTY SCHOOL DISTRICT
Supplementary Information
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	195MS326N1099	\$ 241,231
National school lunch program	10.555	195MS326N1099	562,426
National school lunch program - commodities	10.555	195MS326N1099	53,071
Total child nutrition cluster			856,728
Total passed-through Mississippi Department of Education			856,728
Passed-through Jefferson County:			
Schools and roads - Grants to States	10.665	N/A	25,984
Total passed-through Jefferson County			25,984
Total U.S. Department of Agriculture			882,712
<u>U.S. Department of Defense</u>			
Direct Program:			
Reserve Officers' Training Corps	12.xxx	N/A	18,499
Total U.S. Department of Defense			18,499
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	ES010A160024	57,872
Title I grants to local educational agencies	84.010	ES010A170024	292,745
Title I grants to local educational agencies	84.010	ES010A180024	650,984
Career and technical education - basic grants to states	84.048	V048A180024	17,809
Rural education	84.358	ES358B160024	6,002
Rural education	84.358	ES358B170024	7,898
Rural education	84.358	ES358B180024	16,094
Supporting Effective Instruction State Grants	84.367	ES367A160023	425
Supporting Effective Instruction State Grants	84.367	ES367A170023	9,548
Supporting Effective Instruction State Grants	84.367	ES367A180023	34,017
Student Support and Academic Enrichment Program	84.424	ES424A170025	10,630
Subtotal			1,104,024
Special education cluster:			
Special education - grants to states	84.027	H027A160108	1,346
Special education - grants to states	84.027	H027A170108	41,952
Special education - grants to states	84.027	H027A180108	299,736
Special education - preschool grants	84.173	H173A170113	3,685
Special education - preschool grants	84.173	H173A180113	9,685
Total special education cluster			356,404
Total passed-through Mississippi Department of Education			1,460,428
Total U.S. Department of Education			1,460,428
<u>U.S. Department of Health and Human Services</u>			
Passed-through MS Department of Rehabilitation Services:			
Family Support Payments to States Assistance Payments	96.001	04-19-04MSD100	406
Total passed-through MS Department of Rehabilitation Services			406
Medicaid cluster:			
Medical assistance program	93.778	1805MS5ADM	10,167
Total Medicaid cluster			10,167
Total passed-through Mississippi Department of Education			10,167
Total U.S. Department of Health and Human Services			10,573
Total for All Federal Awards			\$ 2,372,212

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

JEFFERSON COUNTY SCHOOL DISTRICT

Supplementary Information

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2019**

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 9,604,935	6,752,877	831,121	661,512	1,359,425
Other	3,267,253	959,787	216,188	5,558	2,085,720
Total	<u>\$ 12,872,188</u>	<u>7,712,664</u>	<u>1,047,309</u>	<u>667,070</u>	<u>3,445,145</u>
Total number of students *	<u>1,107</u>				
Cost per student	<u>\$ 11,628</u>	<u>6,967</u>	<u>946</u>	<u>603</u>	<u>3,112</u>

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

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

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

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

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

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

JEFFERSON COUNTY SCHOOL DISTRICT

Notes to the Supplementary Information For the Year Ended June 30, 2019

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Jefferson County School District under programs of the federal government for the year ended June 30, 2019. 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 Jefferson County School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Jefferson County School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the same basis of accounting and using the same significant accounting policies, as applicable, as those used for the financial statements. 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 Jefferson County School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds

(1) Basis of Accounting

This schedule is presented on the same basis of accounting and using the same significant accounting policies, as applicable, as those used for the financial statements.

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OTHER INFORMATION

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JEFFERSON COUNTY SCHOOL DISTRICT

Other Information

General Fund

Last Four Years

UNAUDITED

	2019	2018	2017*	2016*
Revenues:				
Local sources	\$ 2,361,506	\$ 2,287,771	\$ 2,252,495	\$ 2,191,142
State sources	5,986,463	5,897,083	5,921,126	6,002,827
Federal sources	274,720	187,575	125,890	192,702
Sixteenth section sources	417,585	311,572	453,898	713,148
Total Revenues	9,040,274	8,684,001	8,753,409	9,099,819
Expenditures:				
Instruction	5,135,416	5,049,835	4,644,120	4,843,622
Support services	4,230,505	4,213,294	3,895,884	4,202,218
Noninstructional	-	-	-	-
Sixteenth section	25,363	28,084	-	-
Total Expenditures	9,391,284	9,291,213	8,540,004	9,045,840
Excess (Deficiency) of Revenues over (under) Expenditures	(351,010)	(607,212)	213,405	53,979
Other Financing Sources (Uses):				
Notes issued	70,335	-	-	97,807
Insurance recovery	6,700	-	-	-
Operating transfers in	63,650	206,879	74,968	78,539
Operating transfers out	(43,927)	(43,927)	-	(34,927)
Other financing uses	0	(820)	-	-
Total Other Financing Sources (Uses)	96,758	162,132	74,968	141,419
Net Change in Fund Balances	(254,252)	(445,080)	288,373	195,398
Fund Balances:				
Beginning of period, as previously reported	4,671,499	5,122,466	4,834,093	4,533,956
Prior period adjustment	(492)	(5,887)	-	104,739
Beginning of period, as restated	4,671,007	5,116,579	4,834,093	4,638,695
End of Period	\$ 4,416,755	\$ 4,671,499	\$ 5,122,466	\$ 4,834,093

*SOURCE - PRIOR YEAR AUDIT REPORTS

JEFFERSON COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2019	2018	2017*	2016*
Revenues:				
Local sources	\$ 2,536,705	\$ 2,434,182	\$ 2,406,630	\$ 2,359,958
State sources	7,018,796	7,125,258	7,284,697	7,385,482
Federal sources	2,635,374	2,625,080	3,119,265	3,089,237
Sixteenth section sources	454,210	312,863	505,888	758,787
Total Revenues	12,645,085	12,497,383	13,316,480	13,593,464
Expenditures:				
Instruction	6,523,082	6,382,652	6,495,991	6,544,484
Support services	5,311,787	5,295,015	5,121,753	5,583,784
Noninstructional	797,732	831,161	947,029	940,194
Sixteenth section	55,293	28,894	51,725	59,084
Debt service:				
Principal	160,165	405,128	351,480	312,000
Interest	24,129	34,304	42,511	47,193
Other	-	1,575	1,350	1,350
Total Expenditures	12,872,188	12,978,729	13,011,839	13,488,089
Excess (Deficiency) of Revenues over (under) Expenditures	(227,103)	(481,346)	304,641	105,375
Other Financing Sources (Uses):				
Notes issued	70,335	0	109,304	97,807
Insurance recovery	6,700		-	0
Operating transfers in	107,577	272,752	197,526	253,217
Operating transfers out	(107,577)	(272,752)	(197,526)	(253,217)
Other financing uses	(6,059)	(820)		
Total Other Financing Sources (Uses)	70,976	(820)	109,304	97,807
Net Change in Fund Balances	(156,127)	(482,166)	413,945	203,182
Fund Balances:				
Beginning of period, as previously reported	5,985,655	6,476,518	6,075,864	5,757,980
Prior period adjustments	(492)	(5,845)		104,754
Beginning of period, as restated	5,985,163	6,470,673	6,075,864	5,862,734
Increase (Decrease) in reserve for inventory	276	(2,852)	(13,291)	9,948
End of Period	\$ 5,829,312	\$ 5,985,655	\$ 6,476,518	\$ 6,075,864

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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L. Reeves CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT
305 PARK RIDGE DRIVE
BRANDON, MS 39042
601-624-0777

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

Superintendent and School Board
Jefferson County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson County School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Jefferson County School District's basic financial statements, and have issued my report thereon dated March 17, 2020.

Internal Control Over Financial Reporting

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

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

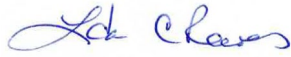
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify 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 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 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 result 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.

A handwritten signature in blue ink, appearing to read "L. Reeves".

L. Reeves, CPA, PLLC
Brandon, Mississippi
March 17, 2020

L. Reeves CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT
305 PARK RIDGE DRIVE
BRANDON, MS 39042
601-624-0777

**Independent Auditor's Report on Compliance for Each Major Federal Program and Report on
Internal Control Over Compliance Required by the Uniform Guidance**

Superintendent and School Board
Jefferson County School District

Report on Compliance for Each Major Federal Program

We have audited Jefferson County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the district's major federal programs for the year ended June 30, 2019. Jefferson 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Jefferson County School District's major federal programs based on 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 (CFR) 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 County School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

We 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 County School District's compliance.

Opinion on Each Major Federal Program

In my opinion, Jefferson County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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



L. Reeves, CPA, PLLC
Brandon, Mississippi
March 17, 2020

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

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L. Reeves CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT
305 PARK RIDGE DRIVE
BRANDON, MS 39042
601-624-0777

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

Superintendent and School Board
Jefferson County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson County School District as of and for the year ended June 30, 2019, which collectively comprise Jefferson County School District's basic financial statements and have issued our report thereon dated March 17, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

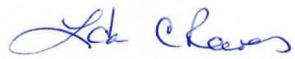
The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

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

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

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies, the Office of the State Auditor and pass-

through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in blue ink, appearing to read "L. Reeves".

L. Reeves, CPA, PLLC
Brandon, MS
March 17, 2020

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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JEFFERSON COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2019

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553; 10.555; 10.559	Child Nutrition Cluster
84.010	Title I grants to local education agencies
8. Dollar threshold used to distinguish between type A and type B programs: \$750,000
9. Auditee qualified as low-risk auditee? No
10. Prior fiscal year audit findings(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). No

JEFFERSON COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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