

JEFFERSON CITY PUBLIC SCHOOLS

Jefferson City, Missouri

INDEPENDENT AUDITOR'S REPORT

For the Year Ended June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Jefferson City Public Schools
Jefferson City, Missouri:

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Jefferson City Public Schools (the "District") as of and for the year ended June 30, 2016 and the related notes to the financial statements which collectively comprise the 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Jefferson City Public Schools Foundation, a discretely presented component unit, were not audited in accordance with Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in conformity with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other information, which consists of the management's discussion and analysis, budgetary comparison schedules, and capital assets, is presented for additional analysis and is not a required part of the basic financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

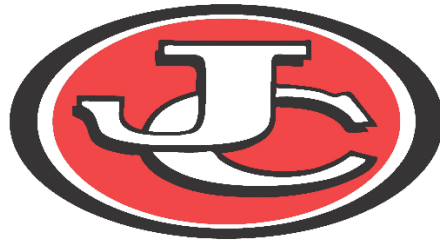
Graves and Associates,
CPAs, LLC

GRAVES AND ASSOCIATES, CPAs, LLC
Jefferson City, Missouri

December 20, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

An objective and easily readable analysis of the District's financial activities.
The Management's Discussion and Analysis presents an analytical overview of both short-term and long-term financial information.



ESTABLISHED IN 1838
315 EAST DUNKLIN
JEFFERSON CITY, MO 65101

JASON HOFFMAN
**CHIEF FINANCIAL OFFICER/
CHIEF OPERATIONS OFFICER**

(573)659-3004
FAX (573)632-3479
jason.hoffman@jcschools.us

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

The discussion and analysis of the Jefferson City Public School District's financial performance provides an overview of the District's financial activity for the fiscal year ending June 30, 2016. Please read it in conjunction with the District's financial statements, notes to the financial statements, and other supplemental information, which immediately follow this section.

Financial Highlights

- The total fund balances of the District's governmental funds increased by \$2,651,091 to \$47,377,848 during the 2016 fiscal year. This fund balance and the change in total balances of each fund are described below:
 - The Debt Service fund balance increased by \$5,324,095, to \$26,153,969. The District refinanced portions of the 2007 bond issue in 2012 and 2014. The District refinanced another \$5,235,000 of the 2007 bonds in 2015. These bonds are not callable until 2017, so the new bond proceeds are held in an escrow account to repay the old bonds at their call date. \$24,216,881 of the total Debt Service Fund balance is restricted due to the crossover refundings.
 - The Capital Projects fund balance decreased by \$2,143,319 to \$1,731,282. The District completed a major renovation to East Elementary, added a culinary kitchen at Nichols Career Center, made major renovations to Jefferson City High School, and made major security improvements to the entrances at seven elementary schools and SWECC, along with many other minor improvements throughout the District. These projects were one-time uses of funds. The remaining fund balance is sufficient to pay 73% of the 2016-17 budgeted capital projects expenditures. The District plans to build this fund balance back up in the coming years.
 - The Operating fund balance decreased by \$529,685 to \$19,492,597. The decrease in the fund balance was smaller than the \$999,674 planned in the original budget. The district had budgeted to reduce the Operating fund balance because the fund balance is in excess of the board's desired balance of 20% of annual expenditures. At the conclusion of the 2016 fiscal year, the Operating fund balance was 22.45% of annual expenditures.
- The Debt Service fund balance not held in escrow for the refunding bonds increased by \$212,585

to \$1,937,088. This fund balance is sufficient to pay 60% of the District's general obligation debt service requirement for 2017.

- Revenues of the "operating funds" (General and Teachers Funds) were \$88,497,077 which was an increase of 1.51%, or \$1,318,235, compared to prior year total operating revenue.

Most of this increase was in county funding where the District's revenue increased by \$662,705. More specifically, the majority of this increase was in county stock insurance monies where the district received \$864,427 more than the prior year.

The District saw a decrease in local property taxes of \$104,542 over fiscal year 2015. The reduction in these revenues is partly attributable to Ameren UE protesting a very large portion of their property taxes again in FY2016, for the third year. The District, along with Cole County, is currently involved in a lawsuit with Ameren UE to hopefully bring a resolution to this dispute. It is currently awaiting a hearing before the Missouri Supreme Court.

The District saw a 2.2% increase in Prop C revenue. This amounted to an increase of \$174,874. This increase can be attributed to higher sales tax collections at the state level with a slight decrease in student enrollment at the district level. The District saw net growth in all other local revenue sources of \$126,787.

The District saw an increase in State Revenues of \$431,850, coming mostly from Basic Formula and Classroom Trust Fund which increased by \$562,973. There was a slight decrease in revenues at that federal level where the District received \$7,328 less than fiscal year 2015. Other revenue (tuition) also reduced by \$33,889.

- Expenses for the operating funds increased \$1,692,312, or 2.0%, over prior year levels. While the district awarded raises averaging 1.8% for the year, the District's actual salary costs increased by only 0.6% (or \$287,483). This was due in large part to the new staff who replaced retiring teachers being lower on the salary schedule. Benefit costs increased by \$466,144 (or 3.2%). The increase in benefit costs is relatively low due to the District's efforts to control health insurance costs.

The District's Supplies and Purchased Services, excluding utilities, increased by \$1,088,177 or 6.6%. Some areas of large increases in purchased services, over the prior year were in the areas of Legal Services (\$250,381) and Contracted Transportation (\$237,602). The District's agreement with First Student had a built in 3.5% price increase for fiscal year 2016. Computer software accounted for a \$179,767 increase on the supply part of the ledger.

There was a decrease of \$149,493, 7.5% in utilities. Total utility expenses were \$1,844,202 for the year.

- Outlays for new capital assets totaled \$7,882,760 during the year, including site improvements and equipment. As noted earlier, the expenditures in the Capital Projects fund were mostly one time expenditures.

Overview of the Financial Statements

The financial section of the annual report consists of three parts:

- Management’s discussion and analysis (this section),
- Financial statements (District-wide and fund financial statements), including notes to the financial statements, and
- Supplemental information.

The financial statements consist of two different types of statements that present different views of the District’s financial activities.

- “District-wide financial statements” provide both short-term and long-term information about the District’s overall financial status. The District-wide statements include the Statement of Net Position and Statement of Activities.
- The remaining financial statements are “fund financial statements” that focus on individual funds of the District, and report the District’s operations in more detail than the District-wide financial statements. The fund financial statements present the District’s funds in terms of governmental, proprietary and fiduciary activities.

The financial statements also include notes that explain accounting concepts and methodology and provide more detailed data. The basic financial statements are followed by a section of supplementary information that further explains and supports the basic financial statements.

District-wide statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The two District-wide statements report the District’s financial position and how it has changed. “Net position” is the difference between the District’s assets and liabilities and is one way to measure the District’s financial health or position. For example, over time, increases or decreases in the District’s net position are an indicator of whether its financial position is improving or deteriorating, respectively. However, to assess the District’s overall health, consideration must also be given to other non-financial factors such as changes in the District’s property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District’s activities are categorized as governmental activities. The governmental activities include all of the District’s basic services, such as regular and special education, transportation, food service, and administration. Property taxes and state aid and grants finance most of these activities. Capital asset balances, net of depreciation and long term debt are added to the District-wide financial presentation. Additionally, the internal service fund activity, accounted for as a separate fund, is included with the governmental fund activity totals to present the account balances and activities of the District as a whole.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

The District maintains three types of funds:

- *Governmental funds:* All of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- *Proprietary Funds:* The District maintains an internal service fund which is classified as a proprietary fund. This fund is used to collect premiums from the District, employees and retirees, and pay claims and administrative costs of the District's self-insured medical insurance benefits plan.
- *Agency Funds:* The District maintains one agency fund the purpose of which is to account for assets held on a fiduciary basis. The Scholarship Fund is excluded from the district-wide financial statements because the funds' assets are not intended to finance the District's operations.

Financial Analysis of the District as a Whole

The financial position of the District is summarized as follows:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Assets:		
Cash and Investments	\$ 44,719,594	\$ 41,746,129
Restricted investments	<u>19,105,371</u>	<u>19,105,371</u>
Total assets	63,824,965	60,851,500
Current Liabilities	<u>(7,642,102)</u>	<u>(7,554,602)</u>
Net Position	<u>\$ 56,182,863</u>	<u>\$ 53,246,898</u>

The District's total net position was \$56,182,863, as of June 30, 2016. Of this amount, \$30,028,893 is unrestricted.

Total net position increased by \$2,885,965 for the year ended June 30, 2016, representing an increase of 5.4% compared to the restated prior year net position. The increase in net position differs from the increase in overall fund balances, totaling \$2,651,091, because of the different measurement focus of the two amounts. A complete reconciliation of this difference is included on pages 13 and 14 of the basic financial statements.

Governmental Activities

The financial activities of the District for the year ended June 30, 2016 and 2015 are summarized as follows:

June 30, 2016			
	<u>Expenditures</u>	<u>Program Receipts</u>	<u>Net Expenditures</u>
Instruction	\$ 51,742,735	\$ 9,948,702	\$ (41,794,033)
Support services	9,558,357	461,831	(9,096,526)
Administration	8,842,166	0	(8,842,166)
Operation of plant	9,140,619	0	(9,140,619)
Pupil transportation	3,574,925	715,822	(2,859,103)
Food service	5,191,270	5,389,850	198,580
Community service	1,764,756	598,124	(1,166,632)
Facility Acq. & Construction	4,508,800	0	(4,508,800)
Principal Payments	1,923,109	0	(1,923,109)
Interest/Fees	<u>2,278,902</u>	<u>0</u>	<u>(2,278,902)</u>
Total	<u>\$ 98,525,639</u>	<u>\$ 17,114,330</u>	<u>(81,411,309)</u>
		General Revenues	<u>84,297,275</u>
		Increase in Net Position	<u>\$ 2,885,965</u>
June 30, 2015			
	<u>Expenditures</u>	<u>Program Receipts</u>	<u>Net Expenditures</u>
Instruction	\$ 50,213,094	\$ 9,468,898	\$ (40,744,196)
Support services	8,061,961	472,108	(7,589,853)
Administration	8,423,697	0	(8,423,697)
Operation of plant	7,828,808	0	(7,828,808)
Pupil transportation	3,496,000	806,734	(2,689,266)
Food service	5,328,256	5,376,384	48,128
Community service	1,202,404	866,149	(336,255)
Facility Acq. & Construction	3,425,418		(3,425,418)
Principal Payments	1,818,557		(1,818,557)
Interest/Fees	<u>2,236,923</u>	<u>0</u>	<u>(2,236,923)</u>
Total	<u>\$ 92,035,118</u>	<u>\$ 16,990,273</u>	<u>(75,044,845)</u>
		General Revenues	<u>76,809,415</u>
		Increase in Net Position	<u>\$ 1,764,570</u>

Jefferson City Public Schools primarily relies on local property and sales taxes and state aid and grants for funding its governmental activities. In 2016 and 2015, respectively, 61.1% and 61.8% of general revenues were derived from local sources and 22.6 and 22.5% from state aid and grants. Federal revenues accounted for 10.1% in 2016 and 10.3% in 2015.

The District's changes in net position can be directly attributed to several factors:

- The District's total revenue in all funds increased by \$2,367,904 or 2.5%. Total revenues from local and county sources combined increased by \$1,331,422 or 2.2%. The net change for all state and federal revenues combined amounted to \$505,628, which was an increase of 1.6%.
- The District saw an increase in total expenditures of \$5,120,820. The District is in a planned spend down of reserves as it finds itself in a very good position of having higher fund balances

than are desirable. The District spent \$3,281,976 more in Capital Projects expenses in 2016 than 2015. These are one-time expenses that will not have a continued impact on the District's finances going forward.

- The cost of all governmental activities this year was \$98,525,639, compared to \$92,035,118 for the prior year. With \$17,114,330 of the total costs being financed by revenues generated by the governmental activities, the net cost of all governmental activities was \$81,411,309.
- Excluding the non-current expenditure lines (facility acq. & construction, principal payments and interest/fees) from the totals in the table shown on the preceding page, the breakdown of the District's expenses is as follows:
 - For fiscal year 2016, instruction represents 57.6% of the total cost of all governmental activities of the District; compared to 59.4% in the prior year.
 - For fiscal year 2016, Pupil Support Services (includes Professional Development, Technology, Guidance, Library, Health/Psychology/Speech services and attendance services) represents 10.6% of the total costs of all governmental activities of the District; compared to 9.5% in the prior year.
 - For fiscal year 2016, Administration (includes Board of Education, District-wide, and Building-level Administrative Services) represents 9.8% of the total costs of all governmental activities; compared to 10.0% in the prior year.
 - For fiscal year 2016, the remaining categories (includes plant operation, transportation, food service, and community services) represents 21.9% of the total costs of all governmental activities; compared to 21.1% in the prior year.

Financial Analysis of the District's Funds

The District's governmental funds reported combined fund balances of \$47,377,848, which is above last year's ending fund balances of \$44,726,756. At June 30, 2016, \$24,216,881 of the total fund balance is restricted bond proceeds, compared to \$19,105,371 at June 30, 2015.

The District made four budget amendments during the fiscal year. These amendments occurred in October, February, March and June. The District's Business Office has a goal to have the original operating budget fall within 2% of actual revenues and expenditures, while also having the final operating fund balance fall within 2% of the original budgeted balance. The District met this goal on all three fronts. On the revenue side, actual revenues came in \$590,000 more than the original budget which is well within the goal at 0.67% above budgeted amounts. Total operating expenditures came in almost exactly as budgeted as it ended \$80,000 less than the original budget which is only 0.1% lower than the original budget. The actual operations of the District resulted with an operating deficit of \$529,685, while the original budget called for a deficit of revenues to expenses in the Operating Funds of \$999,674. This results in a positive difference of \$469,989, or 0.5% of annual expenditures which falls in line with the Business Office goal of budgeting.

The fund balance in the Debt Service Fund is \$26,153,969, of which \$24,216,881 is restricted refunding bond proceeds. This leaves an unrestricted fund balance of \$1,937,088, which is enough to pay 60% of the total debt service obligation for fiscal year 2017.

The balance of the Capital Projects Fund is \$1,731,282; of which all is assigned. These fund balances are limited to the stated uses of the fund.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the office of the Chief Financial Officer, 315 East Dunklin, Jefferson City, Missouri, 65101.

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government-wide financial statements
- Fund financial statements:
 - Governmental Funds
 - Proprietary Funds
 - Agency Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

JEFFERSON CITY PUBLIC SCHOOLS

STATEMENT OF NET POSITION - MODIFIED CASH BASIS
 JUNE 30, 2016

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Jefferson City Public Schools Foundation</u>
ASSETS		
Current Assets		
Cash and Investments	\$ 37,670,996	\$ 183,520
Restricted Cash and Investments	571,868	-
Other Assets	-	2,540
Total Current Assets	<u>38,242,864</u>	<u>186,060</u>
Noncurrent Assets		
Restricted Cash and Investments with Fiscal Agents	25,582,101	-
Investments	-	584,234
Other Assets	-	11,394
Total Noncurrent Assets	<u>25,582,101</u>	<u>595,628</u>
TOTAL ASSETS	<u>63,824,965</u>	<u>781,688</u>
LIABILITIES		
Current Liabilities		
Accrued Payroll Expense	7,642,102	-
Total Current Liabilities	<u>7,642,102</u>	<u>-</u>
TOTAL LIABILITIES	7,642,102	-
NET POSITION		
Restricted - Nonexpendable		
Endowment	-	20,223
Restricted - Expendable		
Student Scholarships	-	223,764
Retirement of Long-Term Debt	26,153,969	-
Unrestricted	30,028,893	537,701
TOTAL NET POSITION	<u>\$ 56,182,862</u>	<u>\$ 781,688</u>

See accompanying Notes to the Financial Statements.

JEFFERSON CITY PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2016

Funtions/Programs	Expenditures	Program Cash Revenues			Net (Expenditures) Revenues and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Total Governmental Activities	Jefferson City Public Schools Foundation
Governmental Activities:						
Regular Instruction	\$ (33,044,620)	\$ 95,822	\$ 799,857	\$ -	\$ (32,148,941)	\$ -
Special Instruction	(12,628,050)	175,599	6,028,057	206,000	(6,218,394)	-
Vocational Instruction	(3,186,279)	178,214	735,419	426,411	(1,846,236)	-
Student Activities	(2,646,795)	1,279,558	23,766	-	(1,343,471)	-
Tuition Paid to Other Districts	(236,991)	-	-	-	(236,991)	-
Support Services	(3,121,992)	-	-	-	(3,121,992)	-
Instructional Staff Support	(6,436,365)	-	461,831	-	(5,974,533)	-
Building Administration	(4,503,845)	-	-	-	(4,503,845)	-
General Administration and Central Services	(4,338,321)	-	-	-	(4,338,321)	-
Operation of Plant	(9,140,619)	-	-	-	(9,140,619)	-
Transportation	(3,574,925)	-	715,822	-	(2,859,103)	-
Food Service	(5,191,270)	1,704,862	3,684,989	-	198,581	-
Community Service	(1,764,756)	-	598,124	-	(1,166,632)	-
Facility Acquisition and Construction	(4,508,800)	-	-	-	(4,508,800)	-
Debt Services	(1,923,109)	-	-	-	(1,923,109)	-
Interest and Fees	(2,278,902)	-	-	-	(2,278,902)	-
Total Governmental Activities	\$ (98,525,640)	\$ 3,434,054	\$ 13,047,865	\$ 632,411	(81,411,310)	
Component Unit						
Jefferson City Public Schools Foundation	\$ (122,956)	\$ -	\$ 143,262	\$ -		20,306
General Revenues:						
Property Taxes					50,910,220	-
Sales Taxes					8,239,060	-
State Aid					18,255,152	-
Fines					323,668	-
Investment Income					1,013,203	(7,170)
Miscellaneous					311,959	2,220
Bond Proceeds					5,235,000	-
Net Insurance Recovery					8,770	-
Proceeds From Sales					242	-
Total General Revenues					84,297,274	(4,950)
Increase (Decrease) in Net Position					2,885,964	15,356
Net Position, Beginning of Year - Restated					53,296,898	766,332
Net Position, End of Year					\$ 56,182,862	\$ 781,688

See accompanying Notes to the Financial Statements.

JEFFERSON CITY PUBLIC SCHOOLS

BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS					
Cash and Investments	\$ 20,649,609	\$ 6,483,785	\$ -	\$ 1,731,282	\$ 28,864,676
Restricted Cash and Investments	-	-	571,868	-	571,868
Restricted Cash and Investments with Fiscal Agents	-	-	25,582,101	-	25,582,101
TOTAL ASSETS	<u>\$ 20,649,609</u>	<u>\$ 6,483,785</u>	<u>\$ 26,153,969</u>	<u>\$ 1,731,282</u>	<u>\$ 55,018,645</u>
LIABILITIES:					
Payroll Liabilities	<u>\$ 1,157,012</u>	<u>\$ 6,483,785</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,640,797</u>
FUND BALANCES					
Fund Balances:					
Restricted for:					
Cross-Over Refunding Bonds	-	-	24,216,881	-	24,216,881
General Obligation Debt	-	-	1,937,088	-	1,937,088
Committed to:					
Outstanding Commitments on Construction Contracts	-	-	-	897,241	897,241
Assigned to:					
Capital Projects	-	-	-	834,041	834,041
Student Activity Accounts	599,450	-	-	-	599,450
Unassigned	18,893,147	-	-	-	18,893,147
Total Fund Balances	<u>19,492,597</u>	<u>-</u>	<u>26,153,969</u>	<u>1,731,282</u>	<u>47,377,848</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 20,649,609</u>	<u>\$ 6,483,785</u>	<u>\$ 26,153,969</u>	<u>\$ 1,731,282</u>	

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

Internal Service funds are used by management to charge the costs of providing employee benefits to individual funds. The net position of the Internal Service Funds are not included in governmental activities in the Statement of Net Position.

Net position of governmental activities

8,805,015

\$ 56,182,863

See accompanying Notes to the Financial Statements.

JEFFERSON CITY PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Revenues					
Local	\$ 45,421,124	\$ 8,239,960	\$ 3,059,116	\$ 416,384	\$ 57,136,584
County	4,815,581	323,668	487,037	-	5,626,286
State	4,118,223	15,931,783	-	3,107,411	23,157,417
Federal	8,981,203	-	-	-	8,981,203
Investment Income	403,531	9,105	593,741	6,826	1,013,203
Other Revenues	-	252,899	-	-	252,899
Total Revenues	63,739,662	24,757,415	4,139,894	3,530,621	96,167,592
Expenditures					
Regular Instruction	2,317,067	30,766,813	-	42,946	33,126,826
Special Instruction	4,853,965	7,802,704	-	18,355	12,675,024
Vocational Instruction	400,173	1,792,145	-	1,017,448	3,209,766
Student Activities	1,630,060	973,620	-	43,116	2,646,795
Tuition Paid to Other Districts	-	236,991	-	-	236,991
Support Services	1,132,342	2,001,393	-	-	3,133,735
Instructional Staff Support	4,315,205	1,707,430	-	437,217	6,459,852
Building Administration	1,304,731	3,199,114	-	-	4,503,845
General Administration and Central Services	3,452,893	903,043	-	-	4,355,936
Operation of Plant	7,578,190	-	-	1,574,173	9,152,363
Transportation	3,586,669	-	-	-	3,586,669
Food Service	5,136,692	-	-	57,514	5,194,206
Community Service	503,045	1,232,669	-	31,979	1,767,692
Facility Acquisition and Construction	-	-	-	4,508,800	4,508,800
Debt Services	-	-	4,050,799	151,213	4,202,012
Total Expenditures	36,211,033	50,615,922	4,050,799	7,882,760	98,760,513
Excess (Deficiency) of Revenues Over (Under) Expenditures	27,528,629	(25,858,507)	89,095	(4,352,139)	(2,592,921)
Other Financing Sources (Uses):					
Proceeds from Sales	192	-	-	50	242
Net Insurance Recovery	-	-	-	8,770	8,770
Proceeds from Bond Issuance	-	-	5,235,000	-	5,235,000
Transfers (To) From Fund	(28,058,507)	25,858,507	-	2,200,000	-
Total Other Financing Sources (Uses)	(28,058,314)	25,858,507	5,235,000	2,208,820	5,244,012
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(529,685)	-	5,324,095	(2,143,319)	2,651,091
Fund Balance, Beginning of Year	20,022,282	-	20,829,874	3,874,600	
Fund Balance, End of Year	\$ 19,492,597	\$ -	\$ 26,153,969	\$ 1,731,282	

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

Internal Service Funds are used by the District to charge the cost of providing employee benefits to individual funds. The net expense of the internal service fund is reported within governmental funds.

234,873

Changes in net position of governmental activities

\$ 2,885,964

JEFFERSON CITY PUBLIC SCHOOLS
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUND
JUNE 30, 2016

	<u>Internal Service Fund</u>
ASSETS:	
Cash and Investments	\$ 8,806,320
TOTAL ASSETS	<u>8,806,320</u>
LIABILITIES:	
Accrued Payroll Expense	<u>1,305</u>
TOTAL LIABILITIES	1,305
NET POSITION:	
Unrestricted	<u>8,805,015</u>
TOTAL NET POSITION	<u><u>\$ 8,805,015</u></u>

See accompanying Notes to the Financial Statements.

JEFFERSON CITY PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
MODIFIED CASH BASIS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Internal Service Fund
OPERATING REVENUES:	
Premiums	\$ 8,262,991
Total Revenues	8,262,991
OPERATING EXPENSES:	
Medical Claims Paid	6,741,252
Reinsurance	584,572
Administrative Fees	578,092
Other	173,860
Total Expenditures Paid	8,077,776
Operating Income (Loss)	185,215
NONOPERATING REVENUES (EXPENSES):	
Interest	49,658
Total Nonoperating Revenues (Expenses)	49,658
Change in Net Position	234,873
NET POSITION, BEGINNING	8,570,142
NET POSITION, ENDING	\$ 8,805,015

See accompanying Notes to the Financial Statements.

JEFFERSON CITY PUBLIC SCHOOLS
STATEMENT OF ASSETS AND LIABILITIES - MODIFIED CASH BASIS
FIDUCIARY FUND - AGENCY FUND
JUNE 30, 2016

	<u>Scholarship Fund</u>
ASSETS:	
Cash and Investments	\$ 852,446
TOTAL ASSETS	<u>\$ 852,446</u>
LIABILITIES:	
Payable for Scholarships	\$ 852,446
TOTAL LIABILITIES	<u>\$ 852,446</u>

See accompanying Notes to the Financial Statements.

JEFFERSON CITY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Jefferson City Public Schools (the “District”) is a political subdivision of the State of Missouri and is governed by an elected seven member Board of Education.

As discussed further in Note 1, these financial statements are presented on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

Financial Reporting Entity

The District’s financial reporting entity is comprised of the following:

Primary Government:	Jefferson City Public Schools
Discretely Presented Component Unit:	Jefferson City Public Schools Foundation

Blended Component Unit

A blended component unit is a separate legal entity for which the elected officials of the primary government are financially accountable and that meets the blended component unit criteria. A blended component unit meets at least one of the following criteria: (a) the blended component unit’s governing body is the same or substantially the same as the District, and there is a financial benefit or burden relationship with the District, or District management has operational responsibility for the component unit; (b) the component unit provides services entirely or almost entirely to the District; or (c) the component unit’s debt is expected to be repaid entirely or almost entirely with resources of the District. The District did not have a blended component unit for the year ended.

Discretely Presented Component Unit

Discretely presented component units are separate legal entities that meet the financial accountability component criteria but do not meet the criteria for blending, as previously described. The component unit that is discretely presented in the District’s report in a separate column is presented subsequently:

JEFFERSON CITY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Discretely Presented Component Unit (Continued)

Jefferson City Public Schools Foundation (the "Foundation")

The District has one material component unit which is presented as a discretely presented component unit in the District-wide financial statements. The Jefferson City Public Schools Foundation (the "Foundation") provides annual program grants to the District from funds raised through its own fundraising efforts. Generally accepted accounting principles provide guidance to determine whether certain organizations for which the District is not financially accountable should be reported as a component unit based on the nature and significance of the relationship. The District has determined that the Foundation meets this definition for inclusion in the District's financial statements as a component unit. The Foundation is a nonprofit organization and it follows guidance of the Financial Accounting Standards Board for its financial reporting. As such, certain revenue recognition criteria and presentation features are different from the modified cash basis revenue recognition and presentation features. No modifications have been made to the Foundation's audited financial information as it is presented. Complete financial statements for the Foundation can be obtained from the Foundation's Treasurer, PO Box 2152, Jefferson City, MO 65102.

Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole within the limitations of the modified cash basis of accounting. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. As of the year ended, the District's only proprietary activity was the Internal Service Fund. Internal Service Funds are added to governmental activities and not shown as a separate proprietary fund on the government-wide financial statements.

JEFFERSON CITY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, net position or fund balance, revenues, and expenditures or expenses. The District's funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- Total assets, revenues, expenses or expenditures of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- Total assets, revenues, expenses or expenditures of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

The Missouri Department of Education had directed the following governmental funds to be treated as major:

General Fund - The General Fund is the primary operating fund of the District and is always classified as a major fund.

Special Revenue Fund – Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures or expenses for specified purposes or designated to finance particular functions or activities of the District. The District has the following Special Revenue Fund:

Teachers Fund – The Teachers Fund is required to be established by state law and may be used for the payment of salaries and insurance benefits for certificated personnel. The fund's revenues may include property taxes, investment income, and county, state, and federal aid. The fund is also used to account for certain tuition payments made between school districts. The fund's expenditures generally exceed allocated revenues. Accordingly, transfers from the general fund cover the deficit and the fund operates with no fund balance.

Debt Service Fund - Accounts for the accumulation of resources for, and the payment of, principal, interest, and fiscal charges on general long-term debt.

JEFFERSON CITY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements (Continued)

Capital Projects Fund - Capital Projects Funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items. It accounts for the proceeds of long-term debt, taxes, and other revenues designated for construction of major capital assets and all other capital outlay.

Proprietary Fund (Enterprise Fund) - Proprietary Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The District includes the following proprietary fund that is reported as a major fund:

Internal Service Fund - Internal Service Funds account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost-reimbursement basis. The District's Internal Service Fund was established to account for a self-funded employee medical insurance benefits program. The premiums received by the Internal Service Fund are transferred from other funds as an expense related to employment, amounts withheld from employees and premiums received from retirees. Claims paid, direct insurance payments, and administrative costs are expenses of this fund.

Fiduciary Funds - Fiduciary Fund reporting focuses on net position and changes in net position. The Fiduciary Fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and, therefore, are not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement or results of operations. The District's Fiduciary Fund is an agency fund, which is used to account to financial activities of scholarship programs.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions are recorded, regardless of the measurement focus applied.

JEFFERSON CITY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

Measurement Focus

In the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined below.

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- a. All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an economic resources measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), and net financial position. All assets and liabilities (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the modified cash basis of accounting.

Basis of Accounting

The financial statements are presented in accordance with the modified cash basis of accounting, which is a basis of accounting other than GAAP as established by the GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position or balance sheets cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. The financial statements have been modified from the cash basis of accounting to include investments and accrued payroll expense.

JEFFERSON CITY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

Basis of Accounting (Continued)

The modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods or services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets and liabilities that do not arise from a cash transaction or event are not reported, and the measurement of reported assets does not involve adjustment to fair value.

If the District utilized accounting principles generally accepted in the United States of America, the fund financial statements for governmental funds would use the modified accrual basis of accounting, and the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented in accordance with the accrual basis of accounting.

Financial Position

Cash and Cash Equivalents

For the purpose of financial reporting, cash and cash equivalents includes all demand and savings accounts and certificates of deposit or short-term investments with original maturity of three months or less from date of purchase.

Investments

Investments are carried at cost, which approximates market.

Capital Assets

As a result of the use of the modified cash basis method of accounting, capital assets are recorded as expenditures at the time of purchase, and, therefore, no balances for assets or accumulated depreciation are reported in the balance sheet.

JEFFERSON CITY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Position (Continued)

Compensated Absences

Vacation time, personal business days, and sick leave are considered expenditures in the year paid. Amounts that are unused and which are vested in the employee are payable upon termination, in accordance with Board of Education policies.

Liabilities and Long-Term Obligations

Long-term obligations are reported only in the district-wide financial statements as liabilities.

In the fund financial statements, proceeds from sales of bonded indebtedness are recorded as revenue when received. Debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The District's long-term debt consists primarily of bonds payable and notes payable.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Restricted Assets

Restricted assets include assets that are legally restricted as to their use. The primary restricted assets are accounts restricted for debt service.

JEFFERSON CITY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position/Fund Balance Classification

Government-Wide Financial Statements:

Net position is classified and displayed in two components:

Restricted – Consists of restricted assets with restriction constraints placed on the use either by external groups, such as creditors, grantors, contributors, or laws and regulations of other governments, or law through constitutional provisions or enabling legislation.

Unrestricted – Net amount of assets that are not included in the determination of the restricted component of net position.

It is the District's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

Fund Financial Statements:

Governmental fund equity is classified as fund balance.

The difference among assets and liabilities of governmental funds is reported as fund balance and classified as nonspendable, restricted, committed, assigned, and unassigned based on the respective level of constraint. These constraints are defined as follows:

- **Nonspendable:** Amounts that cannot be spent because they either are not in spendable form or are legally or contractually required to be maintained intact.
- **Restricted:** Amounts constrained regarding use from restrictions externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or by restrictions imposed by law through constitutional provisions or enabling legislation.
- **Committed:** Amounts constrained regarding use for specific purposes pursuant to requirements imposed by formal action of the District's highest level of decision-making authority (i.e. the Board of Education).

JEFFERSON CITY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position/Fund Balance Classification (Continued)

Fund Financial Statements: (Continued)

- Assigned: Amounts constrained by the District's intent to be used for specific purposes but that are neither restricted nor committed. Intent can be expressed by the District's Board of Education or by an official body to which the Board of Education delegates authority.
- Unassigned: The residual classification of the General Fund for spendable amounts that have not been restricted, committed, or assigned to specific purposes.

The Board of Education establishes (and modifies or rescinds) fund balance commitments by passage of a motion or a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board of Education through adoption or amendment of the budget as intended for specific purposes (such as the purchase of capital assets, construction, debt services, or for other purposes).

The District does not have a minimum fund balance policy set for the General Fund, which would maintain an unassigned fund balance to be used for unanticipated emergencies.

Order of Spending

For all funds, except the Debt Service Fund, the Board of Education may consider the order of spending as restricted, committed, assigned, and then unassigned amounts, as available. For the Debt Service Fund, the Board may approve unrestricted or assigned balances to be spent prior to restricted balances, allowing the spending of interest prior to principal.

Proprietary Funds

The difference among assets and liabilities of proprietary funds is reported as net position and classified in the same manner as the government-wide statements, as previously described.

Discretely Presented Component Unit:

The net position of the Foundation is classified as restricted or unrestricted depending upon donor restriction of contributed resources. Permanent restrictions associated with the Foundation's endowment fund are classified as nonexpendable and are subject to certain legal restrictions.

JEFFERSON CITY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position/Fund Balance Classification (Continued)

Fund Financial Statements: (Continued)

Revenues, Expenditures, and Expenses

Program Revenues

In the Statement of Activities, revenues that are derived directly from each activity or from parties outside the District are reported as program revenues. The District has or may have the following program revenues:

<i>Program Revenues</i>	<i>Examples</i>
Charges for Services	Tuition, adult/continuing education, transportation fees, sales, rentals, community services, food service – non program, admissions, student organization membership dues and fees
Operating Grants and Contributions	Gifts, professional development committee portion of basic formula funds, state transportation funds, various state and federal grants
Capital Grants and Contributions	Gifts, various state and federal grants

All other governmental revenues are reported as general. All taxes are classified as general revenues even if restricted for a specific purpose.

Expenditures/Expenses

In the government-wide financial statements, expenditures or expenses are reported on the modified cash basis of accounting and are classified by function for governmental activities.

Operating Revenue and Expenses

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods or services.

JEFFERSON CITY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Internal and Interfund Balances and Activities

Fund Financial Statements:

Interfund activity, if any, within the governmental fund categories is reported as follows:

- Interfund loans – Amounts provided with requirement for repayment are reported as interfund receivables and payables.
- Interfund reimbursements – Repayments from funds responsible for certain expenditures or expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures or expenses in the respective funds.
- Interfund transfers – Flow of assets from one fund to another where payment is not expected are reported as transfers in and out.
- Interfund services – Sales or purchases of goods and services between funds are reported as revenues and expenditures or expenses.

Government-Wide Financial Statements:

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

- Internal balances – Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental columns of the Statement of Net Position.
- Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental activities, which are reported as Transfers – Internal Activities. The effects of interfund services between funds are not eliminated in the Statement of Activities.
- Primary government and component unit activity and balances - Resources flow between the primary government and the discretely-presented component unit are reported as if they were external transactions and are classified separately from internal balances and activities within the primary government.

JEFFERSON CITY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 2- CASH AND INVESTMENTS:

Custodial Credit Risk – Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. As of the year ended, the carrying amount of the District's deposits was \$38,970,882, and the bank balance was \$41,241,648. Of the bank balance, \$314,830 was covered by the Federal Depository Insurance Corporation (FDIC) and \$40,926,818 was covered by collateral held at the District's safekeeping bank agent, in the District's name and a letter of credit.

Investment Interest Rate Risk - the District has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Investment Credit Risk - the District places no limit on the amount it may invest in any one issuer. As of the year ended, the District had no concentration of credit risk.

Investment Credit Risk – The District may purchase any investment allowed by the State Treasurer. These include (1) obligations of the United States government or any agency or instrumentality thereof maturing and becoming payable not more than three years from the date of purchase, or (2) repurchase agreements maturing and becoming payable within ninety days secured by U.S. Treasury obligations or obligations of U.S. government agencies or instrumentalities of any maturity, as provided by law. The Missouri School District Direct Deposit Program also operates under state law and is restricted to the above investments.

The District had \$124,352 in an Investaccount. Balances in the Investaccount are not insured or guaranteed by the FDIC or any other government agency. However, the balance does represent an investment in a pool of government-backed securities. The Investaccount is an overnight sweep account that allows the District to receive interest on its checking accounts.

JEFFERSON CITY PUBLIC SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2016

NOTE 2 - CASH AND INVESTMENTS: (Continued)

Investments are carried at cost which approximates market.

Investments

Escrow accounts consisted of the following:

	Carrying <u>Amount</u>	Market <u>Value</u>
Commerce Bank – Bond Escrows	\$24,216,881	\$24,216,881
Investaccounts	124,352	124,352
MO School District Direct Deposit Program – Bond Escrow	<u>1,365,220</u>	<u>1,365,220</u>
Total	<u>\$25,706,453</u>	<u>\$25,706,453</u>

Discretely Presented Component Unit

The Foundation has investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of net position.

The investment objective for the Foundation's various investments is to earn competitive total returns in accordance with the goals of the Foundation, within risk tolerances established by the Board of Directors. Policy is guided and constrained by the prudent investor rule and should focus on the modern portfolio theory of investment.

JEFFERSON CITY PUBLIC SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2016

NOTE 2 - CASH AND INVESTMENTS: (Continued)

Fair Value Measurement:

The Foundation reports investments at fair value. Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, a fair value hierarchy is used that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified with Level 3 of the hierarchy).

Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs are primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

As of the year ended, the Foundation had the following investments, stated at fair value:

Investment Type	Level 1	Level 2	Level 3
Cash and Cash Equivalents	\$ 31,840	-	-
Equity Funds	388,992	-	-
Fixed Income Funds	163,401	-	-
Total Investments	\$ 584,233	-	-

JEFFERSON CITY PUBLIC SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2016

NOTE 3 – TAXES:

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and payable by December 31. The County collects the property tax and remits it to the District on a monthly basis.

The District also receives sales tax collected by the State and remitted based on eligible pupils. The District is required to reduce its property tax levy by one-half the amount of sales tax estimated to be received in the subsequent calendar year.

The assessed valuation of the tangible taxable property for the calendar year 2015, for purposes of local taxation, was \$1,224,257,153.

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar year 2015 was as follows:

	<u>Unadjusted</u>	<u>Adjusted</u>
General Fund	\$ 3.7642	\$ 3.4358
Debt Service Fund	0.2570	0.2570
Total	<u>\$ 4.0212</u>	<u>\$ 3.6928</u>

The aggregate receipts of current and delinquent property taxes during the year ended were approximately 98% of the current property tax assessment.

JEFFERSON CITY PUBLIC SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2016

NOTE 4 - LONG-TERM DEBT

The following is a summary of long-term debt transactions for the year ended:

Bonds

General obligation bond transactions as of the year ended are:

Bonds Payable, Beginning	\$ 52,050,000	
Bonds Issued	5,235,000	
Bonds Retired	<u>(1,800,000)</u>	
Bonds Payable, Ending	<u>\$ 55,485,000</u>	
		<u>Remaining Balance</u>
\$41,495,000 general obligation and capital improvement bonds, dated June 15, 2007, due in varying annual installments through March 1, 2027; interest at 4.0% to 5.3%.		\$31,595,000
\$9,335,000 general obligation (crossover) refunding bonds, dated December 15, 2012, due in varying annual installments through March 1, 2027; interest at 2.0%. The refunding resulted in economic gain of \$1,364,987.		9,335,000
\$9,320,000 general obligation (crossover) refunding bonds, dated February 15, 2014, due in varying annual installments through March 1, 2024; interest at 2.0% to 3.5%. The refunding resulted in an economic gain of \$657,265.		9,320,000
\$5,235,000 general obligation (crossover) refunding bonds, dated November 24, 2015, due in varying annual installments through March 1, 2020; interest at 2.0% to 4.0%. The refunding resulted in an economic gain of \$286,719.		<u>5,235,000</u>
Total		<u>\$55,485,000</u>

JEFFERSON CITY PUBLIC SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2016

NOTE 4 - LONG-TERM DEBT (Continued)

The escrowed proceeds of the 2012, 2014, and 2015 issues less issuance costs will cross-over on March 1, 2017 and pay off part of the 2007 issue. Also, the proceeds from the subsequently issued 2016 bonds will be included in this cross-over.

Bonds (Continued)

The annual requirements to amortize the bonds payable are:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$25,540,000	\$1,970,569	\$27,510,569
2018	2,170,000	975,775	3,145,775
2019	2,345,000	904,075	3,249,075
2020	2,530,000	808,975	3,338,975
2021	2,575,000	706,175	3,281,175
2022	2,745,000	608,100	3,353,100
2023	2,910,000	503,400	3,413,400
2024	2,960,000	403,800	3,363,800
2025	3,625,000	302,300	3,927,300
2026	4,040,000	208,350	4,248,350
2027	4,045,000	102,950	4,147,950
Total	<u>\$ 55,485,000</u>	<u>\$ 7,494,469</u>	<u>\$62,979,469</u>

Total interest expense for the year ended was \$2,168,645.

Notes Payable

The District has two outstanding loans from the Missouri Department of Natural Resources (DNR) - Energy Division to finance energy saving improvements to the District's facilities. The first loan carries an interest rate of 3.55% and the second loan carries an interest rate of 4.00%.

Notes Payable transactions as of the year ended are:

Notes Payable, Beginning	\$ 710,963
Notes Issued	-
Notes Retired	<u>(123,109)</u>
Notes Payable, Ending	<u>\$ 587,854</u>

JEFFERSON CITY PUBLIC SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2016

NOTE 4: LONG-TERM DEBT (Continued)

Notes Payable (Continued)

The remaining debt service requirements are as follows:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 127,838	\$ 23,375	\$ 151,213
2018	90,519	18,700	109,219
2019	78,464	15,386	93,850
2020	81,634	12,216	93,850
2021	84,932	8,918	93,850
2022	88,364	5,486	93,850
2023	36,103	1,273	37,376
Total	<u>\$ 587,854</u>	<u>\$ 85,354</u>	<u>\$ 673,208</u>

Total interest expense for the year ended was \$28,104.

Article VI, Section 26(b), of the Constitution of Missouri limits the outstanding amount of authorized general obligation bonds of a District to fifteen percent of the assessed valuation of the District. The approximate legal debt margin (excluding state-assessed railroad and utilities) of the District at year end was:

Constitutional debt limit	\$183,638,573
General obligation bonds payable	(55,485,000)
Amount in Debt Service Fund available for repayment of principal	<u>26,153,969</u>
Total	<u>\$154,307,542</u>

JEFFERSON CITY PUBLIC SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2016

NOTE 5 – RETIREMENT PLAN:

The District reports on the modified cash basis of accounting. Therefore, the District’s unfunded portion of the pension liability is not reflected in the financial statements.

Public School Retirement System of Missouri (PSRS)

Plan Description. Public School Retirement System of Missouri (PSRS) is a mandatory cost-sharing multiple-employer retirement system for all full-time certificated employees and certain part-time certificated employees of all public school districts in Missouri (except the school districts of St. Louis and Kansas City) and all public community colleges. PSRS also includes certificated employees of PSRS, Missouri State Teachers’ Association, Missouri State High School Activities Association, and certain employees of the state of Missouri who elected to remain covered by PSRS under legislation enacted in 1986, 1987, and 1989. The majority of PSRS members are exempt from Social Security contributions. In some instances, positions may be determined not to be exempt from Social Security contributions. Any PSRS member who is required to contribute to Social Security comes under the requirements of Section 169.070 (9) RSMo, known as the “2/3’s statute.” PSRS members required to contribute to Social Security are required to contribute two-thirds of the approved PSRS contribution rate and their employer is required to match the contribution. The member’s benefits are further calculated at two-thirds the normal benefit amount. A Comprehensive Annual Financial Report (“CAFR”) can be obtained at <https://www.psr-peers.org>.

Benefits Provided. PSRS is a defined benefit plan providing retirement, disability, and death/survivor benefits. Members are vested for service retirement benefits after accruing five years of service. A Summary Plan Description detailing the provisions of the plan can be found on PSRS’ website at <https://www.psr-peers.org>.

Contributions. PSRS members are required to contribute a percentage of their annual covered salary and the District is required to contribute a matching amount. The contribution requirements of members and the District are established and may be amended by the PSRS Board of Trustees. The District’s contributions to PSRS for the year ended were equal to the required contributions. The annual statutory increase in the total contribution rate may not exceed 1% of pay. The contributions for the last three fiscal years were as follows:

<u>Year Ended</u>	<u>Amount of Employer Contribution</u>	<u>Percentage of Contributions</u>
2016	\$ 6,211,924	14.5%
2015	6,228,398	14.5%
2014	6,138,569	14.5%

JEFFERSON CITY PUBLIC SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2016

NOTE 5 – RETIREMENT PLAN: (Continued)

Public Education Employee Retirement System (PEERS)

Plan Description. The District also contributes to the Public Education Employee Retirement System (PEERS), a mandatory cost sharing multiple-employer retirement system for all public school district employees in Missouri (except the school districts of St. Louis and Kansas City), employees of the Missouri Association of School Administrators, and community college employees (except the Community College of St. Louis). Employees of covered districts who work 20 or more hours per week on a regular basis and who do not contribute to PSRS must contribute to PEERS. Certain part-time certified employees may be covered by this plan. Positions covered by PEERS are also covered by Social Security.

Benefits Provided. PEERS is a defined benefit plan providing service retirement and disability benefits to its members. Members are vested for service retirement benefits after accruing five years of service. Benefit provisions are set forth in Chapter 169.600 - .715, of the Missouri Revised Statutes. The Statutes assign responsibility for the administration of the system to the Board of Trustees of the PSRS of Missouri. PEERS issues a publicly available financial report that includes financial statements and required supplementary information. A Summary Plan Description detailing the provisions of the plan can be found on PSRS' website at <https://www.psr-peers.org>.

Contributions. PEERS members are required to contribute a percentage of their annual covered salary and the District is required to contribute a matching amount. The contribution requirements of members and the District are established and may be amended by the Board of Trustees. The District's contributions to PEERS for the year ended were equal to the required contributions. The annual statutory increase in the total contribution rate may not exceed 0.5% of pay. The contributions for the last three fiscal years were as follows:

<u>Year Ended</u>	<u>Amount of Employer Contributions</u>	<u>Percentage of Contributions</u>
2016	\$ 956,872	6.86%
2015	897,472	6.86%
2014	856,353	6.86%

JEFFERSON CITY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 6 – INTERFUND TRANSFERS:

Interfund transfers for the year ended consisted of the following:

Transfers from the General Fund:

<i>Special Revenue Fund</i>	
To “zero” Teachers Fund	\$ 25,858,507
<i>Capital Projects Fund</i>	
\$162,326 or 7%xSATxWADA	<u>\$ 2,200,000</u>
Total transfers from the General Fund	<u>\$ 28,058,507</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 7 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruptions; errors and omissions; natural disasters; employee injuries and illnesses; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health benefits.

NOTE 8 - CONTINGENCIES:

Grant Audit

The District receives Federal grants and State funding for specific purposes that are subject to review and audit. These reviews and audits could lead to requests for reimbursement or to withholding of future funding for expenditures disallowed under or other noncompliance with the terms of the grants and funding. The District is not aware of any noncompliance with Federal or State provisions that might require the District to provide reimbursement.

Health Insurance

The District is covered by an excess loss contract on its medical benefits program. This contract provides specific stop-loss coverage for claims in excess of \$150,000 per individual. However, a special provision has been added to the stop-loss coverage whereby the District retains liability for up to \$100,000 of aggregated claims above the stop-loss threshold. The District retains the obligation to pay claims below these levels.

JEFFERSON CITY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 8 - CONTINGENCIES: (Continued)

Litigation

The District may periodically be the defendant in a lawsuit arising principally in the normal course of operations. In the opinion of the administration, the outcome of these lawsuits will not have a material adverse effect on the accompanying combined financial statements and accordingly, no provision for losses has been recorded.

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS:

The District provides health insurance benefits to its retirees on a reimbursable basis. The cost of the insurance premium is charged to the retirees at the same cost as active employees. This situation causes an implicit premium subsidy for the difference the retirees would have to pay for similar insurance coverage and the actual amount of their premiums. This implicit premium subsidy represents an unfunded obligation to the District. This obligation has not been valued or reported because the District reports its financial activity using the modified cash basis of accounting.

NOTE 10 - CONSTRUCTION COMMITMENTS

The District has a remaining balance on construction contracts in the amount of \$897,241.

NOTE 11 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF BEGINNING NET POSITION:

Historically, the District's government-wide financial statements were modified from the pure cash basis of accounting to include investments, certain prepaid expenses, capital assets (and accumulated depreciation), accrued payroll expenses, and long-term debt. For the year ended, the District had a change in accounting principle whereby capital assets (and accumulated depreciation) and long-term debt are no longer included as modifications to the pure cash basis of accounting. Accordingly, beginning net position of the government-wide financial statements were reduced and restated from \$86,369,037 to \$56,182,862, a reduction of \$30,186,175, for the year ended.

Capital assets are capitalized in a government's government-wide financial statements. Expenditures that extend the useful lives of capital assets beyond their initial estimated useful lives or improve their efficiency or capacity are capitalized. Any expenditure that only returns the capital asset to its original condition is classified as repairs and maintenance and the cost is expensed when incurred. During the audit, it appeared the District may have historically capitalized some items that should have been expensed as repairs and maintenance.

JEFFERSON CITY PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 11 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF BEGINNING NET POSITION: (Continued)

In addition, the estimated useful lives of some capital assets may be in excess of a reasonable estimated useful life for an asset of that type. When estimating useful lives to calculate depreciation expense, the District should consider an asset's present condition and how long it is expected to meet service demands without significant repair/replacement of major components. While this is an estimate, it should be relative to actual useful lives.

The District has chosen to remove the modifications for capital assets (and accumulated depreciation) and long-term debt associated with the capital assets. The capital assets (and accumulated depreciation) are now included in the report as Other Information and the long-term debt is reported only in the Notes to the Financial Statements (Note 4). These changes are allowable under the modified cash basis of accounting.

NOTE 12 - EVALUATION OF SUBSEQUENT EVENTS:

The District has evaluated subsequent events through December 20, 2016, the date which the financial statements were available to be issued.

In December, 2016, the District issued \$5,915,000 of general obligation refunding bonds. As with the prior refunding issues, these bonds will refund a portion of the 2007 issue. The 2016 bonds were issued at a premium and will result in an economic gain to the District of \$1,010,312.

OTHER INFORMATION

JEFFERSON CITY PUBLIC SCHOOLS

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance
Revenues				
Local	\$ 44,959,804	\$ 45,421,124	\$ 45,421,124	\$ -
County	3,765,129	4,815,581	4,815,581	-
State	4,136,522	4,118,223	4,118,223	-
Federal	8,613,014	8,981,203	8,981,203	-
Investment Income	400,000	403,531	403,531	-
Total Revenues	<u>61,874,470</u>	<u>63,739,662</u>	<u>63,739,662</u>	<u>-</u>
Expenditures				
Regular Instruction	2,762,805	2,317,067	2,317,067	-
Special Instruction	4,699,089	4,853,965	4,853,965	-
Vocational Instruction	424,583	400,173	400,173	-
Student Activities	1,103,015	1,630,060	1,630,060	-
Support Services	1,010,691	1,132,342	1,132,342	-
Instructional Staff Support	3,536,093	4,315,205	4,315,205	-
Building Administration	938,519	1,304,731	1,304,731	-
General Administration and Central Services	3,692,562	3,452,893	3,452,893	-
Operation of Plant	7,633,498	7,578,190	7,578,190	-
Transportation	3,328,143	3,586,669	3,586,669	-
Food Service	5,271,259	5,136,692	5,136,692	-
Community Service	218,697	503,045	503,045	-
Total Expenditures	<u>34,618,953</u>	<u>36,211,033</u>	<u>36,211,033</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	27,255,517	27,528,629	27,528,629	-
Other Financing Sources (Uses):				
Proceeds from Sales	-	192	192	-
Transfers To (From) Fund	(28,255,189)	(28,058,507)	(28,058,507)	-
Total Other Financing Sources (Uses)	<u>(28,255,189)</u>	<u>(28,058,314)</u>	<u>(28,058,314)</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(999,672)	(529,685)	(529,685)	-
Fund Balance, Beginning of Year	<u>20,022,282</u>	<u>20,022,282</u>	<u>20,022,282</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 19,022,610</u>	<u>\$ 19,492,597</u>	<u>\$ 19,492,597</u>	<u>\$ -</u>

JEFFERSON CITY PUBLIC SCHOOLS

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
 SPECIAL REVENUE FUND
 FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance
(Continued)				
Revenues				
Local	\$ 8,161,461	\$ 8,239,960	\$ 8,239,960	\$ -
County	630,000	323,668	323,668	-
State	15,875,000	15,931,783	15,931,783	-
Federal	1,100	-	-	-
Investment Income	16,500	9,105	9,105	-
Other Revenues	199,000	252,899	252,899	-
Total Revenues	<u>24,883,061</u>	<u>24,757,415</u>	<u>24,757,415</u>	<u>-</u>
Expenditures				
Regular Instruction	31,468,024	30,766,813	30,766,813	-
Special Instruction	8,494,467	7,802,704	7,802,704	-
Vocational Instruction	1,760,648	1,792,145	1,792,145	-
Student Activities	569,718	973,620	973,620	-
Tuition Paid to Other Districts	202,000	236,991	236,991	-
Support Services	2,048,153	2,001,393	2,001,393	-
Instructional Staff Support	1,600,886	1,707,430	1,707,430	-
Building Administration	4,349,508	3,199,114	3,199,114	-
General Administration and Central Services	142,336	903,043	903,043	-
Community Service	502,509	1,232,669	1,232,669	-
Total Expenditures	<u>51,138,250</u>	<u>50,615,922</u>	<u>50,615,922</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(26,255,189)	(25,858,507)	(25,858,507)	-
Other Financing Sources (Uses):				
Transfers To (From) Fund	<u>26,255,189</u>	<u>25,858,507</u>	<u>25,858,507</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	-	-	-	-
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

JEFFERSON CITY PUBLIC SCHOOLS
NOTES TO BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2016

Budget Law

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Chapter 67, RSMo, the District adopts a budget for each fund of the political subdivision.
2. Prior to July, the Chief Financial Officer, who serves as the budget officer, submits to the Board of Education a proposed budget for the fiscal year beginning on the following July 1. The proposed budget includes estimated revenues and proposed expenditures for all District funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year.
3. A public hearing is conducted to obtain taxpayer comments. Prior to its approval by the Board of Education, the budget document is available for public inspection.
4. Prior to July 1, the budget is legally enacted by a vote of the Board of Education.
5. Subsequent to the formal approval of the budget, the Board of Education has the authority to make necessary adjustments to the budget by formal vote of the Board of Education. Adjustments made during the year are reflected in the budget information included in the financial statements.
6. Budgeted amounts are as originally adopted or as amended by the Board of Education.
7. Budgets for District funds are prepared and adopted on the modified cash basis (budget basis), recognizing revenues when collected and expenditures when paid. Budgets lapse at year end.

JEFFERSON CITY PUBLIC SCHOOLS
CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2016

Capital Assets Accounting Policies

Capital assets include land, buildings, furniture and equipment and are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. All land purchases are capitalized. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation. The District does not own any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets being constructed and in progress as of the date of the financial statements are reported with buildings and improvements, but not depreciated until the project is complete. All reported capital assets, except land and construction in progress, are depreciated using the straight-line method over their estimated useful lives. The District does not utilize partial year depreciation. A full year's depreciation is taken the first year an asset is placed into service.

Depreciation is calculated using the straight-line method over the estimated useful life of each asset. Original building construction and major improvements are depreciated over 75 years. Equipment useful lives range from 5 to 20 years.

JEFFERSON CITY PUBLIC SCHOOLS
 CAPITAL ASSETS
 FOR THE YEAR ENDED JUNE 30, 2016

Capital Assets Activities

Capital asset activity as of the year ended was as follows:

Primary Government:

	Beginning Balance	Corrections	Additions	Disposals	Ending Balance
Capital assets, not being depreciated					
Land	\$ 5,382,745	\$ -	\$ -	\$ -	\$ 5,382,745
Construction in Progress	-	-	170,719	-	170,719
Total capital assets, not being depreciated	5,382,745	-	170,719	-	5,553,464
Capital assets, being depreciated					
Buildings and Improvements	118,171,609	-	6,055,663	-	124,227,272
Equipment	4,622,325	(45,690)	129,679	(418,007)	4,288,307
Total capital assets being depreciated	122,793,934	(45,690)	6,185,342	(418,007)	128,515,579
Less accumulated depreciation for:					
Buildings and Improvements	38,884,190	(11,393)	3,427,435	-	42,300,232
Equipment	3,459,386	(130,571)	229,135	(317,980)	3,239,970
Total accumulated depreciation	42,343,576	(141,964)	3,656,570	(317,980)	45,540,202
Total capital assets, being depreciated, net	80,450,358	96,274	2,528,772	(100,027)	82,975,377
Governmental activities capital assets, net	<u>\$ 85,833,103</u>	<u>\$ 96,274</u>	<u>\$ 2,699,491</u>	<u>\$ (100,027)</u>	<u>\$ 88,528,841</u>

Total depreciation expense for the year ended was \$3,656,570.

During the year ended, it was determined beginning accumulated depreciation was overstated by \$141,964. This amount was corrected through the current year. The previous misstatement was primarily due to miscalculations whereby fully depreciated assets were over-depreciated.

STATE COMPLIANCE
SECTION



INDEPENDENT ACCOUNTANT'S REPORT ON MANAGEMENT'S
ASSERTIONS ABOUT COMPLIANCE WITH SPECIFIED
REQUIREMENTS OF MISSOURI LAWS AND REGULATIONS

To the Board of Education of
Jefferson City Public Schools
Jefferson City, Missouri:

We have examined management's assertion that Jefferson City Public Schools (the "District") complied with the requirements of Missouri laws and regulations regarding budgetary and disbursement procedures; accurate disclosure by attendance records of average daily attendance, resident membership on the last Wednesday of September and the number of students eligible to receive free and reduced price lunches on the last Wednesday of January; and accurate disclosure by pupil transportation records of the average daily transportation of pupils eligible and ineligible for state aid, the number of miles eligible and ineligible for state aid and the allowable costs for pupil transportation during the year ended June 30, 2016. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects with the aforementioned requirements during the year ended June 30, 2016.

This report is intended solely for the information and use of the Board of Education, management and the Missouri Department of Elementary and Secondary Education and is not intended to be and should not be used by anyone other than these specified parties.

*Graves and Associates,
CPAs, LLC*

GRAVES AND ASSOCIATES, CPAs, LLC
Jefferson City, Missouri
December 20, 2016

JEFFERSON CITY PUBLIC SCHOOLS
 SCHEDULE OF SELECTED STATISTICS
 FOR THE YEAR ENDED JUNE 30, 2016

1. Calendar (Sections 160.041 and 171.031, RSMo)

A. Standard day length (SDL) – The total number of hours between the starting time of the first class and the dismissal time of the last class, minus the time allowed for lunch and one passing time, and minus Channel One time. Reported with 4 decimal places.

Kindergarten – A.M.	_____	SDL	Grades <u>K-5</u>	<u>6.6500</u> SDL
Kindergarten – P.M.	_____	SDL	Grades <u>6-8</u>	<u>6.4167</u> SDL
Kindergarten – Full-day	_____	SDL	Grades <u>9-12</u>	<u>6.6000/6.1000</u> SDL

B. The number of actual calendar hours classes were in session and pupils were under the direction of teachers during this school year was as follows

Kindergarten – A.M.	_____	Hours	Grades <u>K-5</u>	<u>1,141.10</u> Hours
Kindergarten – P.M.	_____	Hours	Grades <u>6-8</u>	<u>1,100.51</u> Hours
Kindergarten – Full-day	_____	Hours	Grades <u>9-12</u>	<u>1,096.40</u> Hours

C. The number of days classes were in session and pupils were under the direction of teachers during this school year was as follows:

Kindergarten – A.M.	_____	Days	Grades <u>K-5</u>	<u>174</u> Days
Kindergarten – P.M.	_____	Days	Grades <u>6-8</u>	<u>174</u> Days
Kindergarten – Full-day	_____	Days	Grades <u>9-12</u>	<u>174</u> Days

2. Average Daily Attendance (ADA)

Regular Term	Full-time/ Part-time	Federal Lands	Total
Kindergarten – Full-day	_____	_____	_____
Grades <u>K-5</u>	<u>4,061.19</u>	_____	<u>4,061.19</u>
Grades <u>6-8</u>	<u>1,787.19</u>	_____	<u>1,787.19</u>
Grades <u>9-12</u>	<u>2,166.81</u>	_____	<u>2,166.81</u>
Subtotal Regular Term	<u>8,015.19</u>	_____	<u>8,015.19</u>
	Resident	Federal Lands	Total
Summer School	_____	_____	_____
Subtotal	<u>187.69</u>	_____	<u>187.69</u>
Total Regular Term Plus Summer School ADA			<u>8,202.88</u>

JEFFERSON CITY PUBLIC SCHOOLS
 SCHEDULE OF SELECTED STATISTICS
 FOR THE YEAR ENDED JUNE 30, 2016

3. September Membership

	Full-Time & Part-Time	Federal Lands	Total
September Membership FTE Count	<u>8,602.97</u>	<u> </u>	<u>8,602.97</u>

4. Free and Reduced Priced Lunch FTE Count (Section 163.011(6), RSMo)

		Full-Time & Part-Time	Deseg In	Total
State FTE Total	Free	<u>4,371.78</u>	<u> </u>	<u>4,371.78</u>
	Reduced	<u>586.35</u>	<u> </u>	<u>586.35</u>
	Total	<u>4,958.13</u>	<u> </u>	<u>4,958.13</u>

5. Finance

- A. As required by Section 162.401, RSMo, a bond was purchased for the District's treasurer in the total amount of \$ 100,000.
- B. The District's deposits were secured during the year as required by Section 110.010 and 110.020, RSMo. True
- C. The District maintained a separate bank account for the Debt Service Fund in accordance with Section 165.011, RSMo. True
- D. Salaries reported for educators in the October Core Data cycle are supported by payroll/contract records. True
- E. If a \$162,326 or 7% x SAT x WADA transfer was made in excess of adjusted expenditures, the board approved a resolution to make the transfer, which identified the specific projects to be funded by the transfer and an expected expenditure date for the projects to be undertaken. N/A
- F. The District published a summary of the prior year's audit report within thirty days of the receipt of the audit pursuant to Section 165.121, RSMo. True

JEFFERSON CITY PUBLIC SCHOOLS
 SCHEDULE OF SELECTED STATISTICS
 FOR THE YEAR ENDED JUNE 30, 2016

5. Finance (Continued)

G. The District has a professional development committee plan adopted by the Board with the professional development committee plan identifying the expenditure of seventy-five percent (75%) of one percent (1%) of the current year formula apportionment.

True

H. The amount spent for approved professional development committee plan activities was:

\$180,048

6. Transportation (Section 163.161, RSMo)

A. The school transportation allowable costs substantially conform to 5 CSR 30-261.040, Allowable Costs for State Transportation Aid.

True

B. The District's school transportation ridership records are so maintained as to accurately disclose in all material respects the average number of regular riders transported.

True

C. Based on the ridership records, the average number of students (non-disabled K-12, K-12 students with disabilities and career education) transported on a regular basis (ADT) was:

- Eligible ADT # 4,450.0
- Ineligible ADT # 0.0

D. The District's transportation odometer mileage records are so maintained as to accurately disclose in all material respects the eligible and ineligible mileage for the year.

True

E. Actual odometer records show the total District-operated and contracted mileage for the year was:

1,189,344

Of this total, the eligible non-disabled and students with disabilities route miles and the ineligible non-route and disapproved miles (combined) was:

- Eligible Miles # 826,816
- Ineligible Miles (Non-Route/Disapproved) # 181,238

F. Number of days the District operated the school transportation system during the regular school year.

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SUPPLEMENTARY INFORMATION

FEDERAL COMPLIANCE
SECTION

Jefferson City Public Schools
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Entity Identifying Number</i>	<i>Federal Expenditures(\$)</i>
United States Department of Agriculture Pass-Through Programs			
Passed-through MO DESE			
Child Nutrition Cluster			
National School Lunch Program	10.555	026-006	\$ 2,499,531
School Breakfast Program	10.553	026-006	893,333
Noncash	10.555	026-006	464,158
<i>Total Passed-through MO DESE</i>			3,857,023
Passed-through MO Health and Senior Services			
Summer Food Service Program for Children	10.559	ERS04623735	201,811
Total Child Nutrition Cluster			4,058,834
Passed-through MO Dept Health and Senior Services			
Child and Adult Care Food Program	10.558	ERS46112373	104,163
Passed-through MO DESE			
Fresh Fruits & Vegetables	10.582	026-006	36,937
<i>Total Department of Agriculture</i>			4,199,934
United States Department of Education Pass-Through Programs			
Passed-through MO DESE			
IDEA Cluster			
IDEA Special Education Grants to States	84.027	026-006	2,046,656
Spec Ed High Need Fund - Federal	84.027	026-006	75,354
ECSE - Federal (611)	84.027	026-006	234,593
ECSE - Federal (619)	84.173	026-006	59,710
Project Search Grant	84.027	026-006	1,200
Spec Ed SWIS	84.027	026-006	300
Total IDEA Cluster			2,417,812
Other Programs			
Perkins - Career and Technical Education -- Basic Grants to States	84.048	026-006	204,532
Title I Grants to Local Educational Agencies	84.010	026-006	2,027,584
Title II.A Improving Teacher Quality State Grants	84.367	026-006	312,246
Title III English Language Acquisition Grants	84.365	026-006	31,225
Adult Education - Basic Grants to States (AEL)	84.002	026-006	162,757
Adult Education - Basic Grants to States (Career Ed EL Civics Grant)	84.002	026-006	29,520
<i>Total Passed-through MO DESE</i>			5,185,676
<i>Total Department of Education</i>			5,185,676
Total Expenditures of Federal Awards			\$ 9,385,610

The accompanying notes are an integral part of this schedule.

Jefferson City Public Schools
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

(Continued)

BASIS OF PRESENTATION:

The Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the District under programs of the federal government for the year ended. 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 District, it is not intended to and does not present the financial position or change in financial position of the District.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

FOOD DISTRIBUTION:

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. As of the year ended, the District had food commodities of \$109,203 in inventory.



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

To the Board of Education of
Jefferson City Public Schools
Jefferson City, Missouri:

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, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Jefferson City Public Schools (the “District”), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated December 20, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider to be a significant deficiency. It is identified as item 2016-1.

Compliance and Other Matters

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

The District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Graves and Associates,
CPAs, LLC

GRAVES AND ASSOCIATES, CPAs, LLC
Jefferson City, Missouri

December 20, 2016



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

To the Board of Education of
Jefferson City Public Schools
Jefferson City, Missouri:

Report on Compliance for Each Major Federal Program

We have audited Jefferson City Public School's (the "District") 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, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings.

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

Graves and Associates,
CPAs, LLC

GRAVES AND ASSOCIATES, CPAs, LLC
Jefferson City, Missouri

December 20, 2016

JEFFERSON CITY PUBLIC SCHOOLS
SCHEDULE OF FINDINGS 2 CFR SECTION 200.515
FOR THE YEAR ENDED JUNE 30, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of Financial Statement Opinion: Unmodified

Internal Control Over Financial Reporting (GAGAS):

- Material weakness(es) reported? No
- Significant deficiency(ies) reported? Yes
- Noncompliance material to financial statements noted (GAGAS)? No

Federal Awards:

Internal Control Over Major Programs:

- Material weakness(es) reported? No
- Significant deficiency(ies) reported? No

Type of Opinion On Compliance for Major Programs: Unmodified

Are there any reportable findings under 2 CFR Section 200.516(a)? No

JEFFERSON CITY PUBLIC SCHOOLS
 SCHEDULE OF FINDINGS 2 CFR SECTION 200.515
 FOR THE YEAR ENDED JUNE 30, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS (Continued)

Identification of Major Program(s):

<u>CFDA Number (s)</u>	<u>Name of Federal Program or Cluster</u>
	<u>U.S. Department of Agriculture:</u>
	Passed Through from Missouri Department of Elementary and Secondary Education:
10.553/10.555/10.559	Child Nutrition Cluster
Dollar Threshold: Type A/B Programs	Type A: >\$750,000 Type B: All Others
Low Risk Auditee under 2 CFR Section 200.520?	No

SECTION II - FINANCIAL STATEMENTS FINDINGS

SIGNIFICANT DEFICIENCY:

Condition: As in many smaller to medium-sized organizations, it is difficult to obtain proper segregation of duties due to the limited number of employees.

Criteria: Duties should be segregated so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. The District has mitigating controls in place, but it is not possible to have segregation in all areas.

Effect: Due to the limited number of employees, the District might not prevent, or detect and correct misstatements on a timely basis in the normal performance of duties.

Recommendation: We recognize that because of limited resources and personnel, management may not be able to achieve a proper segregation of duties. However, professional standards require that we bring this lack of segregation of duties to your attention. We recommend management continue to review these processes accordingly to optimize the functionality of internal controls.

JEFFERSON CITY PUBLIC SCHOOLS
SCHEDULE OF FINDINGS 2 CFR SECTION 200.515
FOR THE YEAR ENDED JUNE 30, 2016

SECTION II - FINANCIAL STATEMENTS FINDINGS (Continued)

SIGNIFICANT DEFICIENCY: (Continued)

Response/Current Status: The District concurs with this recommendation. While the District has implemented many mitigating controls in the District's Human Resources, Payroll, Student Activities, and Accounts Payable operations, there is always room for improvement and refinement of the controls in place. The Chief Financial Officer/Chief Operating Officer and the Controller are fully aware of the need for segregation of duties and implement/facilitate changes in District operations as deemed necessary and/or as circumstances may dictate. The District will continue to monitor operations for appropriate segregation of duties in order to protect the District's resources from potential fraud, misuse or abuse.

SECTION III - FEDERAL AWARD FINDINGS

No matters were reported.