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JACKSON PUBLIC SCHOOL DISTRICT

Audited Financial Statements
For Year Ended June 30, 2015

WATKINS, WARD AND STAFFORD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

JACKSON PUBLIC SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

WATKINS, WARD AND STAFFORD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS



WATKINS, WARD and STAFFORD
Professional Limited Liability Company
Certified Public Accountants

James L. Stafford, CPA	Kimberly S. Caskey, CPA
Harry W. Stevens, CPA	Susan M. Lummus, CPA
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J. Randy Scrivner, CPA	Perry C. Rackley, Jr., CPA

INDEPENDENT AUDITORS' REPORT

Superintendent and School Board
Jackson Public School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson Public School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the Jackson Public School District's basic financial statements as listed in the contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson Public School District, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 4-12, 46, 47 and 49, respectively, be presented to supplement the basic financial statements. Such information, although

not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jackson Public School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2016, on our consideration of the Jackson Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jackson Public School District's internal control over financial reporting and compliance.

Watkins, Ward and Stafford, PLLC
Jackson, Mississippi
March 26, 2016

Watkins Ward and Stafford, PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

JACKSON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of Jackson Public School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2015 decreased \$301,080,010, including a prior period adjustment of (\$313,568,898) due primarily to the recording of the net pension liability, which represents an 806% decrease from fiscal year 2014. Total net position for 2014 increased \$10,795,288, including a prior period adjustment of (\$366,058), which represents a 41% increase from fiscal year 2013.
- General revenues amounted to \$224,550,863 and \$210,139,667, or 80% and 79% of all revenues for fiscal years 2015 and 2014, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$56,625,661, or 20% of total revenues for 2015, and \$57,065,635, or 21% of total revenues for 2014. The District also had extraordinary items related to insurance recoveries for hailstorm damages totaling \$9,258,944 in 2014.
- The District had \$268,687,636 and \$265,302,900 in expenses for fiscal years 2015 and 2014; only \$56,625,661 for 2015 and \$57,065,635 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$224,550,863 for 2015 and general revenues and extraordinary items totaling \$219,398,611 for 2014 were adequate to provide for these programs.
- Among major funds, the General Fund had \$203,060,481 in revenues and \$197,857,666 in expenditures for 2015, and \$196,646,564 in revenues and \$190,779,719 in expenditures in 2014. The General Fund's fund balance increased by \$1,159,857 from 2014 to 2015, including a fund reclassification of \$324,223, a prior period adjustment of (\$969), and an increase in inventory of \$11,077. The General Fund's fund balance increased by \$1,471,535 from 2013 to 2014, including a prior period adjustment of (\$614,783) and an increase in inventory of \$148,352.
- Capital assets, net of accumulated depreciation, decreased by \$3,368,026 for 2015 and decreased by \$1,863,214 for 2014. The decrease for 2015 was due primarily to the increase in accumulated depreciation.
- Total long-term debt, excluding bond premium, decreased by \$12,876,784 for 2015 and decreased by \$1,285,387 for 2014. The decrease for 2015 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$178,120 for 2015 and decreased by \$210,226 for 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Position and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting.

The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

JACKSON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Statement of Net Position presents information on all the District's nonfiduciary assets and liabilities, with the differences between the two reported as "net position." Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, sixteenth section, pension expense and interest on long-term liabilities.

Fund Financial Statements

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

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

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

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

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

JACKSON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to financial statements

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

Required Supplementary Information

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

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Other Information

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by (\$263,724,533) as of June 30, 2015.

JACKSON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Table 1 presents a summary of the District's net position at June 30, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

Table 1
Condensed Statement of Net Position

	June 30, 2015	June 30, 2014	Percentage Change
Current assets	\$ 44,352,494	\$ 49,233,238	(9.91) %
Restricted assets	3,735,349	2,659,584	40.45 %
Capital assets, net	192,443,784	195,811,810	(1.72) %
Total assets	240,531,627	247,704,632	(2.90) %
Deferred outflows of resources	37,394,172	10,718,820	248.86 %
Current liabilities	16,560,489	15,319,005	8.10 %
Long-term debt outstanding	192,263,802	205,748,970	(6.55) %
Net pension liability	280,432,367	-	N/A %
Total liabilities	489,256,658	221,067,975	121.32 %
Deferred inflows of resources	52,393,674	-	N/A %
Net position:			
Net investment in capital assets	48,013,441	42,697,386	12.45 %
Restricted	13,339,349	10,986,359	21.42 %
Unrestricted	(325,077,323)	(16,328,268)	1,890.89 %
Total net position (deficit)	\$ (263,724,533)	\$ 37,355,477	(805.99) %

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (325,077,323)
Less unrestricted deficit in net position resulting from recognition of the net pension Liability	305,252,559
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ (19,824,764)</u>

The following are significant current year transactions that have had an impact on the Statement of Net Position.

- Decrease in net capital assets in the amount of \$3,368,026.
- Implementation of GASB Statement No. 68 which required the recording of a liability for the proportionate share of the school district as well as the recording of deferred outflows/inflows of resources on the Statement of Net Position.
- The principal retirement of \$13,054,904 of long-term debt.
- The net pension liability in the amount of \$280,432,367.

JACKSON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$281,176,524 and \$267,205,302, respectively. The total cost of all programs and services was \$268,687,636 for 2015 and \$265,302,900 for 2014.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

**Table 2
Changes in Net Position**

Program revenues:			
Charges for services	\$ 3,087,639	\$ 2,883,465	7.08 %
Operating grants and contributions	53,288,022	54,182,170	(1.65) %
Capital Grants and Contributions	250,000	-	N/A %
General revenues:			
Property taxes	92,011,086	81,310,829	13.16 %
Grants and contributions not restricted	130,048,703	126,330,096	2.94 %
Investment earnings	7,653	15,439	(50.43) %
Sixteenth section sources	1,343,944	1,275,399	5.37 %
Other	1,139,477	1,207,904	(5.66) %
Total revenues	<u>281,176,524</u>	<u>267,205,302</u>	5.23 %
Extraordinary items	-	9,258,944	(100.00) %
Total revenues and extraordinary items	<u>281,176,524</u>	<u>276,464,246</u>	1.70 %
Expenses:			
Instruction	126,149,693	137,273,855	(8.10) %
Support services	99,160,848	100,144,007	(0.98) %
Non-instructional	18,842,243	19,317,910	(2.46) %
Sixteenth section	94,271	118,949	(20.75) %
Pension expense	14,768,514	-	N/A %
Interest on long-term liabilities	9,672,067	8,448,179	14.49 %
Total expenses	<u>268,687,636</u>	<u>265,302,900</u>	1.28 %
Increase (Decrease) in net position	<u>12,488,888</u>	<u>11,161,346</u>	11.89 %
Net Position, July 1, as previously reported	37,355,477	26,560,189	40.64 %
Prior Period Adjustment	<u>(313,568,898)</u>	<u>(366,058)</u>	(85,561) %
Net Position, July 1, as restated	<u>(276,213,421)</u>	<u>26,194,131</u>	(1,154.49) %
Net Position (deficit), June 30	<u>\$ (263,724,533)</u>	<u>\$ 37,355,477</u>	(805.99) %

Governmental activities

The following table presents the cost of six major District functional activities: instruction, support services, non-instructional, sixteenth section, pension expense, and interest on long-term liabilities. The table also shows each functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

GASB 68 was implemented in fiscal year 2015. Prior year amounts do not reflect the implementation of GASB 68.

JACKSON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2015	2014	
Instruction	\$ 126,149,693	\$ 137,273,855	(8.10) %
Support services	99,160,848	100,144,007	(0.98) %
Non-instructional	18,842,243	19,317,910	(2.46) %
Sixteenth section	94,271	118,949	(20.75) %
Pension Expense	14,768,514	-	N/A %
Interest on long-term liabilities	9,672,067	8,448,179	14.49 %
Total expenses	\$ 268,687,636	\$ 265,302,900	1.28 %
	Net (Expense) Revenue		Percentage Change
	2015	2014	
Instruction	\$ (108,130,105)	\$ (118,076,901)	(8.42) %
Support services	(81,688,422)	(82,621,828)	(1.13) %
Non-instructional	2,291,404	1,028,592	122.77 %
Sixteenth section	(94,271)	(118,949)	(20.75) %
Pension Expense	(14,768,514)	-	N/A %
Interest on long-term liabilities	(9,672,067)	(8,448,179)	14.49 %
Total net (expense) revenue	\$ (212,061,975)	\$ (208,237,265)	1.84 %

- Net cost of governmental activities (\$212,061,975 for 2015 and \$208,237,265 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$92,011,086 for 2015 and \$81,310,829 for 2014) and state and federal revenues (\$130,048,703 for 2015 and \$126,330,096 for 2014). In addition, there was \$1,343,944 and \$1,275,399 in Sixteenth Section sources for 2015 and 2014, respectively.
- Investment earnings amounted to \$7,653 for 2015 and \$15,439 for 2014.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$33,836,335, a decrease of \$5,219,867, which includes a prior period adjustment of (\$65,420) and an increase in inventory of \$6,650. \$6,238,495, or 18%, of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$27,597,840, or 82%, is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

**JACKSON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$1,159,857, which includes a fund reclassification of \$324,223, a prior period adjustment of (\$969), and an increase in inventory of \$11,077. The fund balance of Other Governmental Funds showed a decrease in the amount of \$6,379,724, which includes a fund reclassification of (\$324,223), a prior period adjustment of (\$64,451), and a decrease in inventory of \$4,427.

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2015, the District's total capital assets were \$318,026,959, including land, construction in progress, school buildings, improvements other than buildings, buses, other school vehicles, furniture and equipment, and leased property under capital leases. This amount represents a gross increase of \$2,169,432 from 2014, due primarily to the ongoing construction of school facilities and the purchase of various items of furniture and equipment. Total accumulated depreciation as of June 30, 2015, was \$125,583,175, and total depreciation expense for the year was \$5,970,293, resulting in total net capital assets of \$192,443,784.

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Land	\$ 6,780,059	\$ 6,780,059	0.00 %
Construction in Progress	2,146,271	-	N/A %
Buildings	160,672,038	164,842,990	(2.53) %
Improvements other than buildings	17,369,835	18,118,719	(4.13) %
Mobile equipment	865,956	960,506	(9.84) %
Furniture and equipment	878,986	781,669	12.45 %
Leased property under capital leases	3,730,639	4,327,867	(13.80) %
Total	<u>\$ 192,443,784</u>	<u>\$ 195,811,810</u>	(1.72) %

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

Debt Administration. At June 30, 2015, the District had \$184,806,110 in outstanding long-term debt, of which \$13,677,783 is due within one year. During the fiscal year, the District made principal payments on outstanding long-term debt in the amount of \$13,054,904. The liability for compensated absences increased \$178,120 from the prior year.

JACKSON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 138,295,000	\$ 145,850,000	(5.18) %
Limited obligation bonds payable	8,855,000	11,215,000	(21.04) %
Three mill notes payable	30,940,000	33,105,000	(6.54) %
Obligations under capital leases	4,508,033	5,482,937	(17.78) %
Compensated absences payable	2,208,077	2,029,957	8.77 %
Total	<u>\$ 184,806,110</u>	<u>\$ 197,682,894</u>	(6.51) %

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

CURRENT ISSUES

The Jackson Public School District is financially stable. The District is proud of its community support of the public schools.

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Jackson Public School District, P.O. Box 2338, Jackson, MS 39225-2338.

JACKSON PUBLIC SCHOOL DISTRICT

FINANCIAL STATEMENTS

JACKSON PUBLIC SCHOOL DISTRICT

Statement of Net Position
June 30, 2015

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 25,486,416
Due from other governments	17,306,851
Other receivables, net	121,351
Inventories	1,437,876
Restricted assets	3,735,349
Capital assets, non-depreciable:	
Land	6,780,059
Construction in progress	2,146,271
Capital assets, net of accumulated depreciation:	
Buildings	160,672,038
Improvements other than buildings	17,369,835
Mobile equipment	865,956
Furniture and equipment	878,986
Leased property under capital leases	3,730,639
Total Assets	<u>240,531,627</u>
Deferred Outflows of Resources	
Deferred outflow from advance refunding of debt	9,820,690
Deferred outflow related to pensions	27,573,482
Total Deferred Outflows of Resources	<u>37,394,172</u>
Liabilities	
Accounts payable and accrued liabilities	14,237,682
Unearned revenue	13,826
Interest payable on long-term liabilities	2,308,981
Long-term liabilities, due within one year:	
Capital related liabilities	11,582,379
Non-capital related liabilities	2,095,404
Long-term liabilities, due beyond one year:	
Capital related liabilities	136,441,904
Capital related bond premium	7,457,692
Non-capital related liabilities	34,686,423
Net pension liability	280,432,367
Total Liabilities	<u>489,256,658</u>
Deferred Inflows of Resources	
Deferred inflow related to pensions	52,393,674
Total Deferred Inflows of Resources	<u>52,393,674</u>
Net Position	
Net investment in capital assets	48,013,441
Restricted for:	
Expendable:	
School-based activities	8,340,377
Debt service	3,254,290
Capital improvements	250,000
Forestry improvements	39,830
Unemployment benefits	1,156,932
Non-expendable:	
Sixteenth section	297,920
Unrestricted	(325,077,323)
Total Net Position (deficit)	<u>\$ (263,724,533)</u>

The accompanying notes to financial statements are an integral part of these financial statements.

JACKSON PUBLIC SCHOOL DISTRICT

Statement of Activities
For Year Ended June 30, 2015

Exhibit B

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Instruction	\$ 126,149,693	\$ 1,315,301	\$ 16,704,287	\$ -		\$ (108,130,105)
Support services	99,160,848	768,724	16,453,702	250,000		(81,688,422)
Non-instructional	18,842,243	1,003,614	20,130,033	-		2,291,404
Sixteenth section	94,271	-	-	-		(94,271)
Pension expense	14,768,514	-	-	-		(14,768,514)
Interest on long-term liabilities	9,672,067	-	-	-		(9,672,067)
Total Governmental Activities	\$ 268,687,636	\$ 3,087,639	\$ 53,288,022	\$ 250,000		\$ (212,061,975)

General Revenues:

Taxes:

General purpose levies 74,047,134

Debt purpose levies 17,963,952

Unrestricted grants and contributions:

State 128,537,270

Federal 1,511,433

Unrestricted investment earnings 7,653

Sixteenth section sources 1,343,944

Other 1,139,477

Total General Revenues 224,550,863

Change in Net Position 12,488,888

Net Position - Beginning, as previously reported 37,355,477

Prior Period Adjustments (313,568,898)

Net Position - Beginning, as restated (276,213,421)

Net Position (deficit) - Ending \$ (263,724,533)

The accompanying notes to financial statements are an integral part of these financial statements.

JACKSON PUBLIC SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2015

Exhibit C

	Major Funds		Total Governmental Funds
	General Fund	Other Governmental Funds	
Assets			
Cash and cash equivalents	\$ 9,660,381	\$ 18,076,187	\$ 27,736,568
Cash with fiscal agents	-	1,298,379	1,298,379
Investments	-	186,818	186,818
Due from other governments	5,820,422	9,138,426	14,958,848
Other receivables, net	121,351	-	121,351
Due from other funds	10,305,289	1,066,945	11,372,234
Inventories	1,005,877	431,999	1,437,876
Total assets	<u>\$ 26,913,320</u>	<u>\$ 30,198,754</u>	<u>\$ 57,112,074</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 11,208,980	\$ 3,028,702	\$ 14,237,682
Due to other funds	512,551	8,511,680	9,024,231
Deferred revenue	-	13,826	13,826
Total Liabilities	<u>11,721,531</u>	<u>11,554,208</u>	<u>23,275,739</u>
Fund Balances:			
Nonspendable:			
Inventory	1,005,877	431,999	1,437,876
Permanent fund principal	-	297,920	297,920
Restricted:			
Debt service	-	5,563,271	5,563,271
Capital projects	-	1,480,942	1,480,942
Forestry improvement purposes	-	39,830	39,830
Grant activities	-	6,902,501	6,902,501
Unemployment benefits	-	1,156,932	1,156,932
Assigned:			
Activity funds/athletics	605,017	-	605,017
Facility repairs and improvements	7,342,400	2,771,151	10,113,551
Unassigned	<u>6,238,495</u>	<u>-</u>	<u>6,238,495</u>
Total Fund Balances	<u>15,191,789</u>	<u>18,644,546</u>	<u>33,836,335</u>
Total Liabilities and Fund Balances	<u>\$ 26,913,320</u>	<u>\$ 30,198,754</u>	<u>\$ 57,112,074</u>

The accompanying notes to financial statements are an integral part of these financial statements.

JACKSON PUBLIC SCHOOL DISTRICT

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2015

Exhibit C-1

Total fund balances for governmental funds \$ 33,836,335

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

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

Land	\$ 6,780,059	
Construction in progress	2,146,271	
Buildings	232,743,622	
Improvements other than buildings	38,187,418	
Mobile equipment	15,371,973	
Furniture and equipment	15,436,618	
Leased property under capital leases	7,360,998	
Accumulated depreciation	<u>(125,583,175)</u>	192,443,784

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

Net pension liability (280,432,367)

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

Deferred outflows of resources related to pensions	27,573,482	
Deferred inflows of resources related to pensions	<u>(52,393,674)</u>	(24,820,192)

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

General obligation bonds	(138,295,000)	
Limited obligation bonds	(8,855,000)	
Notes payable	(30,940,000)	
Capital lease obligations	(4,508,033)	
Compensated absences	(2,208,077)	
Unamortized charges	9,820,690	
Unamortized premiums	(7,457,692)	
Accrued interest payable	<u>(2,308,981)</u>	<u>(184,752,093)</u>

Net Position of governmental activities (deficit) \$ (263,724,533)

The accompanying notes to financial statements are an integral part of these financial statements.

JACKSON PUBLIC SCHOOL DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances
For Year Ended June 30, 2015

Exhibit D

	Major Funds		Total Governmental Funds
	General Fund	Other Governmental Funds	
Revenues:			
Local sources	\$ 76,391,404	\$ 19,017,393	\$ 95,408,797
State sources	123,805,217	9,202,304	133,007,521
Federal sources	1,519,916	49,127,622	50,647,538
Sixteenth section sources	1,343,944	-	1,343,944
Total Revenues	<u>203,060,481</u>	<u>77,347,319</u>	<u>280,407,800</u>
Expenditures:			
Instruction	116,123,384	20,340,971	136,464,355
Support services	81,069,230	24,709,888	105,779,118
Noninstructional services	82	19,430,882	19,430,964
Sixteenth section	94,271	-	94,271
Facilities acquisition and construction	-	1,966,884	1,966,884
Debt service:			
Principal	492,458	12,562,446	13,054,904
Interest	78,241	9,463,724	9,541,965
Other	-	13,760	13,760
Total Expenditures	<u>197,857,666</u>	<u>88,488,555</u>	<u>286,346,221</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>5,202,815</u>	<u>(11,141,236)</u>	<u>(5,938,421)</u>
Other Financing Sources (Uses):			
Insurance recovery	162,542	606,182	768,724
Sale of other property	8,600	-	8,600
Operating transfers in	687,134	5,339,012	6,026,146
Operating transfers out	(5,235,565)	(790,581)	(6,026,146)
Total Other Financing Sources (Uses)	<u>(4,377,289)</u>	<u>5,154,613</u>	<u>777,324</u>
Net Change in Fund Balances	<u>825,526</u>	<u>(5,986,623)</u>	<u>(5,161,097)</u>
Fund Balances:			
July 1, 2014, as previously reported	14,031,932	25,024,270	39,056,202
Fund reclassification	324,223	(324,223)	-
Prior period adjustments	(969)	(64,451)	(65,420)
July 1, 2014, as restated	<u>14,355,186</u>	<u>24,635,596</u>	<u>38,990,782</u>
Increase (Decrease) in inventory	<u>11,077</u>	<u>(4,427)</u>	<u>6,650</u>
June 30, 2015	<u>\$ 15,191,789</u>	<u>\$ 18,644,546</u>	<u>\$ 33,836,335</u>

The accompanying notes to financial statements are an integral part of these financial statements.

JACKSON PUBLIC SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For Year Ended June 30, 2015**

Exhibit D-1

Net change in fund balances - total governmental funds **\$ (5,161,097)**

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

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

Capital outlay	\$ 2,454,252	
Depreciation expense	(5,970,293)	(3,516,041)

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

(31,372)

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

Payments of debt principal	13,054,904	
Accrued interest payable	173,404	13,228,308

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

Recording of pension expense for the current period	(14,768,514)	
Recording of contributions made subsequent to the measurement date	23,198,820	8,430,306

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

Change in compensated absences	(178,120)	
Change in inventory	6,650	
Amortization of deferred charges, premiums and discounts	(289,746)	(461,216)

Change in Net Position of governmental activities **\$ 12,488,888**

The accompanying notes to financial statements are an integral part of these financial statements.

JACKSON PUBLIC SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Net Position
June 30, 2015

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 42,649	\$ 5,144,339
Other receivables	-	833,176
Total Assets	<u>42,649</u>	<u>\$ 5,977,515</u>
Liabilities		
Accounts payable and accrued liabilities	744	\$ 3,375,094
Due to other funds	-	2,348,003
Due to student clubs	-	254,418
Total Liabilities	<u>744</u>	<u>\$ 5,977,515</u>
Net Position		
Reserved for scholarships	153	
Held in trust	41,752	
Total Net Position	<u>\$ 41,905</u>	

The accompanying notes to financial statements are an integral part of these financial statements.

JACKSON PUBLIC SCHOOL DISTRICT

Fiduciary Funds

Statement of Changes in Fiduciary Net Position
For Year Ended June 30, 2015

Exhibit F

	<u>Private-Purpose Trust Funds</u>
Additions	
Local sources	\$ 32,148
Total Additions	<u>32,148</u>
Deductions	
Educational media services	<u>25,534</u>
Total Deductions	<u>25,534</u>
Change in Net Position	<u>6,614</u>
Net Position	
July 1, 2014	<u>35,291</u>
June 30, 2015	<u>\$ 41,905</u>

The accompanying notes to financial statements are an integral part of these financial statements.

JACKSON PUBLIC SCHOOL DISTRICT
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the City of Jackson since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

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

B. Government-wide and Fund Financial Statements

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

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

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

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

JACKSON PUBLIC SCHOOL DISTRICT
Notes to Financial Statements

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

The school district reports the following major governmental fund:

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

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

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

The District's fiduciary funds include the following:

RN Fortenberry Scholarship Fund - This fund serves as a private-purpose trust fund used to report a trust arrangement, other than those properly reported elsewhere, in which scholarships are provided to students of the school district.

Lake Memorial Library Fund - This fund serves as a private-purpose trust fund used to report a trust arrangement, other than those properly reported elsewhere, in which the principal and income benefit individuals, private organizations or other governments.

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

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

JACKSON PUBLIC SCHOOL DISTRICT
Notes to Financial Statements

FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

JACKSON PUBLIC SCHOOL DISTRICT
Notes to Financial Statements

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

JACKSON PUBLIC SCHOOL DISTRICT
Notes to Financial Statements

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund. In addition, unspent proceeds from the issuance of long-term debt reported as cash and cash equivalents in a Capital Projects Fund is classified as restricted assets because the funds are to be spent for specific purposes outlined in resolutions approved by the board, bond documentation, etc.

6. Capital Assets

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

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

Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows/inflows of resources

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

JACKSON PUBLIC SCHOOL DISTRICT
Notes to Financial Statements

are presented as a deferred outflow from advance refunding of debt and a deferred outflow related to pensions. See Note 15 for further details.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The school district has incurred a deferred inflow which is presented as a deferred inflow related to pensions. See Note 15 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond discounts or premiums and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

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

10. Pensions

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

11. Fund Balances

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

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

JACKSON PUBLIC SCHOOL DISTRICT
Notes to Financial Statements

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

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

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

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

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

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

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

F. New Pronouncements

In June 2012, the GASB issued GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, note disclosure and required supplementary information requirements about pensions also are addressed. Also issued in conjunction to GASB 68 is GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to Measurement Date*. The objective of this Statement is to address an issue regarding the application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. These Statements are effective for fiscal years beginning after June 15, 2014.

JACKSON PUBLIC SCHOOL DISTRICT
Notes to Financial Statements

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

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$27,736,568 and \$5,186,988, respectively. The carrying amount of deposits reported in the government-wide financial statements included cash and cash equivalents of \$25,486,416 and a portion of restricted assets in the amount of \$2,250,152 (see Note 4). The bank balance was \$40,726,970.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2015, none of the district's bank balance of \$40,726,970 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$1,298,379.

JACKSON PUBLIC SCHOOL DISTRICT
Notes to Financial Statements

Investments

As of June 30, 2015, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
QSCB Construction Bonds Common Trust Funds 2012-A		less than 1 year	\$ 186,818
Total			<u>\$ 186,818</u>

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2015, the district did not have any investments to which this would apply.

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

As of June 30, 2015, the district had the following investment for which the concentration of credit risk disclosure is applicable:

Issuer	Fair Value	% of Total Investments
Trustmark National Bank	\$ 186,818	100%

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	\$ 7,957,286
	Fiduciary funds	2,348,003
Other governmental funds	General Fund	512,551
	Other governmental funds	<u>554,394</u>
Total		<u>\$ 11,372,234</u>

The inter-fund loans were made mainly to cover the initial payments of reimbursable expenditures of federal programs and to eliminate deficit cash balances. In addition, inter-fund loans were made to record indirect costs from various federal program funds due to the General Fund. Also, inter-fund loans were made to record funds due the General Fund and EEF Buildings and Buses Fund from various Debt Service Funds.

JACKSON PUBLIC SCHOOL DISTRICT
Notes to Financial Statements

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 5,235,565
Other governmental funds	General Fund	687,134
	Other governmental funds	<u>103,447</u>
Total		<u>\$ 6,026,146</u>

Operating transfers were primarily for the following: the funding of daily operations and routine activities of funds other than District Maintenance, indirect cost transfers, transfers to cover vocational and special education expenditures, transfers to cover unemployment costs, and other routine operating transfers.

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling \$297,920 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the investment balance totaling \$186,818 of the QSCB Bond Retirement Fund, and the cash with fiscal agent balance totaling \$1,298,379 of the MAEP Limited Obligation Bond Fund. Also, the restricted assets represent the cash balance of the School Bond Series 2008 Capital Projects Fund totaling \$1,952,232 resulting from unspent bond proceeds at fiscal year end. Total restricted assets reported on the Statement of Net Position are \$3,735,349.

JACKSON PUBLIC SCHOOL DISTRICT
Notes to Financial Statements

Note 5 – Capital Assets

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

	Balance 7/1/2014	Increases	Decreases	Adjustment	Balance 6/30/2015
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 6,780,059				\$ 6,780,059
Construction-in-progress		1,966,884		179,387	2,146,271
Total non-depreciable capital assets	6,780,059	1,966,884	-	179,387	8,926,330
<u>Depreciable capital assets:</u>					
Buildings	232,866,079		122,457		232,743,622
Improvements other than buildings	38,187,418				38,187,418
Mobile equipment	15,386,300		14,327		15,371,973
Furniture and equipment	15,276,673	487,368	327,423		15,436,618
Leased property under capital leases	7,360,998				7,360,998
Total depreciable capital assets	309,077,468	487,368	464,207	-	309,100,629
<u>Less accumulated depreciation for:</u>					
Buildings	68,023,089	4,146,461	97,966		72,071,584
Improvements other than buildings	20,068,699	748,884			20,817,583
Mobile equipment	14,425,794	93,117	12,894		14,506,017
Furniture and equipment	14,495,004	384,603	321,975		14,557,632
Leased property under capital leases	3,033,131	597,228			3,630,359
Total accumulated depreciation	120,045,717	5,970,293	432,835	-	125,583,175
Total depreciable capital assets, net	189,031,751	(5,482,925)	31,372	-	183,517,454
Governmental activities capital assets, net	\$ 195,811,810	\$ (3,516,041)	\$ 31,372	\$ 179,387	\$ 192,443,784

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 4,342,308
Support services	1,435,970
Non-instructional	192,015
Total depreciation expense - Governmental activities	\$ 5,970,293

The capital assets above include significant amounts which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

An adjustment was needed to record architect fees incurred in prior year related to the ongoing construction of Northwest Middle School.

JACKSON PUBLIC SCHOOL DISTRICT
Notes to Financial Statements

Construction in progress is composed of:

	Spent to June 30, 2015	Remaining Commitment
Governmental Activities:		
Northwest Middle School	\$ 2,146,271	\$ 14,633,729
Total construction in progress	<u>\$ 2,146,271</u>	<u>\$ 14,633,729</u>

The Construction project included in governmental activities is funded with the remaining proceeds of bonds and General Funds.

Note 6 – Long-term Liabilities

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

	Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015	Amounts due within one year
A. General obligation bonds payable	\$ 145,850,000	\$	\$ 7,555,000	\$ 138,295,000	\$ 7,940,000
B. Limited obligation bonds payable	11,215,000		2,360,000	8,855,000	2,430,000
C. Three mill notes payable	33,105,000		2,165,000	30,940,000	2,440,000
D. Obligations under capital leases	5,482,937		974,904	4,508,033	757,379
E. Compensated absences payable	2,029,957	178,120		2,208,077	110,404
Total	<u>\$ 197,682,894</u>	<u>\$ 178,120</u>	<u>\$ 13,054,904</u>	<u>\$ 184,806,110</u>	<u>\$ 13,677,783</u>
Add: Bond premium	<u>\$ 8,066,076</u>	<u>\$</u>	<u>\$ 608,384</u>	<u>\$ 7,457,692</u>	<u>\$ -</u>
Total	<u>\$ 205,748,970</u>	<u>\$ 178,120</u>	<u>\$ 13,663,288</u>	<u>\$ 192,263,802</u>	<u>\$ 13,677,783</u>

A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. General obligation bonds, Series 2007	4.0%-5.0%	10/2/2007	4/1/2027	\$ 36,000,000	\$ 24,340,000
2. General obligation bonds, Series 2008	4.0%-5.5%	7/23/2008	4/1/2028	114,000,000	93,940,000
3. General obligation bonds, Series 2012-A	5.00%	1/15/2013	4/1/2028	21,065,000	20,015,000
Total				<u>\$ 171,065,000</u>	<u>\$ 138,295,000</u>

JACKSON PUBLIC SCHOOL DISTRICT
Notes to Financial Statements

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

1. General obligation bonds issued on October 2, 2007:

Year Ending June 30	Principal	Interest	Total
2016	\$ 1,560,000	\$ 1,059,100	\$ 2,619,100
2017	1,630,000	981,100	2,611,100
2018	1,700,000	899,600	2,599,600
2019	1,770,000	818,850	2,588,850
2020	1,860,000	748,050	2,608,050
2021 – 2025	10,780,000	2,514,013	13,294,013
2026 – 2027	5,040,000	332,062	5,372,062
Total	<u>\$ 24,340,000</u>	<u>\$ 7,352,775</u>	<u>\$ 31,692,775</u>

This debt will be retired from the General Obligation Bond Series 2007 Debt Service Fund.

2. General obligation bonds issued on July 23, 2008:

Year Ending June 30	Principal	Interest	Total
2016	\$ 5,265,000	\$ 4,866,812	\$ 10,131,812
2017	5,505,000	4,629,888	10,134,888
2018	5,795,000	4,340,875	10,135,875
2019	6,095,000	4,036,637	10,131,637
2020	6,350,000	3,785,219	10,135,219
2021 – 2025	37,375,000	13,297,325	50,672,325
2026 – 2028	27,555,000	2,848,375	30,403,375
Total	<u>\$ 93,940,000</u>	<u>\$ 37,805,131</u>	<u>\$ 131,745,131</u>

This debt will be retired from the General Obligation Bond Series 2008 Debt Service Fund.

3. General obligation bonds issued on January 15, 2013:

Year Ending June 30	Principal	Interest	Total
2016	\$ 1,115,000	\$ 1,000,750	\$ 2,115,750
2017	1,185,000	945,000	2,130,000
2018	490,000	885,750	1,375,750
2019	1,370,000	861,250	2,231,250
2020	1,440,000	792,750	2,232,750
2021 – 2025	8,340,000	2,810,250	11,150,250
2026 – 2028	6,075,000	617,500	6,692,500
Total	<u>\$ 20,015,000</u>	<u>\$ 7,913,250</u>	<u>\$ 27,928,250</u>

JACKSON PUBLIC SCHOOL DISTRICT
Notes to Financial Statements

This debt will be retired from the General Obligation Series 2012A Refunding Debt Service Fund.

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2016	\$ 7,940,000	\$ 6,926,662	\$ 14,866,662
2017	8,320,000	6,555,988	14,875,988
2018	7,985,000	6,126,225	14,111,225
2019	9,235,000	5,716,737	14,951,737
2020	9,650,000	5,326,019	14,976,019
2021 – 2025	56,495,000	18,621,588	75,116,588
2026 – 2028	38,670,000	3,797,937	42,467,937
Total	\$ 138,295,000	\$ 53,071,156	\$ 191,366,156

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2015, the amount of outstanding bonded indebtedness was equal to 12% of property assessments as of October 1, 2014.

B. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement					
refunding bonds, Series 2006	3.25%-5.0%	2/22/2006	2/1/2018	\$ 26,520,000	\$ 8,855,000
Total				\$ 26,520,000	\$ 8,855,000

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 2,430,000	\$ 353,512	\$ 2,783,512
2017	2,535,000	244,575	2,779,575
2018	3,890,000	117,200	4,007,200
Total	\$ 8,855,000	\$ 715,287	\$ 9,570,287

This debt will be retired from the MAEP Debt Service Fund

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

C. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Limited Tax Notes Refunding Bonds, Series 2005	2.45%-5.0%	5/5/2005	10/1/2020	\$ 25,225,000	\$ 15,840,000
2. Limited Tax Notes Refunding Bonds, Series 2012B	4.37%	1/15/2013	10/1/2023	15,100,000	15,100,000
Total				<u>\$ 40,325,000</u>	<u>\$ 30,940,000</u>

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

1. Three mill notes payable issued on May 5, 2005:

Year Ending June 30	Principal	Interest	Total
2016	\$ 2,300,000	\$ 727,170	\$ 3,027,170
2017	2,420,000	611,270	3,031,270
2018	2,565,000	488,745	3,053,745
2019	2,690,000	357,370	3,047,370
2020	2,860,000	220,060	3,080,060
2021	3,005,000	75,000	3,080,000
Total	<u>\$ 15,840,000</u>	<u>\$ 2,479,615</u>	<u>\$ 18,319,615</u>

This debt will be retired from the Three Mill Series 2005 Retirement Debt Service Fund.

2. Three mill notes payable issued on January 15, 2013:

Year Ending June 30	Principal	Interest	Total
2016	\$ 140,000	\$ 656,391	\$ 796,391
2017	605,000	640,203	1,245,203
2018	605,000	613,797	1,218,797
2019	635,000	586,734	1,221,734
2020	635,000	559,016	1,194,016
2021 - 2024	12,480,000	1,320,140	13,800,140
Total	<u>\$ 15,100,000</u>	<u>\$ 4,376,281</u>	<u>\$ 19,476,281</u>

This debt will be retired from the Three Mill Series 2012B Refunding Debt Service Fund.

JACKSON PUBLIC SCHOOL DISTRICT
Notes to Financial Statements

Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2016	\$ 2,440,000	\$ 1,383,561	\$ 3,823,561
2017	3,025,000	1,251,473	4,276,473
2018	3,170,000	1,102,542	4,272,542
2019	3,325,000	944,104	4,269,104
2020	3,495,000	779,076	4,274,076
2021 – 2024	15,485,000	1,395,140	16,880,140
Total	\$ 30,940,000	\$ 6,855,896	\$ 37,795,896

D. Obligations under capital leases

The school district has entered into lease agreements, which qualify as capital leases for accounting purposes, for the acquisition of the following:

1. Computers at a cost of \$900,000.
2. Telephone system at a cost of \$1,222,747.
3. Buses at a cost of \$1,238,460.
4. Transportation equipment and food service equipment at a cost of \$3,999,791.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Computers	3.69%	2/17/2011	7/31/2015	\$ 900,000	\$ 107,294
Telephone system	3.69%	2/17/2011	7/31/2015	1,222,747	145,771
Buses	4.99%	6/13/2011	8/31/2020	1,238,460	782,036
Transportation/food service equipment	4.37%	9/19/2013	10/10/2023	3,999,791	3,472,932
Total				\$ 7,360,998	\$ 4,508,033

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2016	\$ 757,379	\$ 189,286	\$ 946,665
2017	527,179	161,752	688,931
2018	551,088	137,843	688,931
2019	576,089	112,842	688,931
2020	602,232	86,699	688,931
2021 – 2024	1,494,066	122,865	1,616,931
Total	\$ 4,508,033	\$ 811,287	\$ 5,319,320

This debt will be retired from the District Maintenance Fund (General Fund).

JACKSON PUBLIC SCHOOL DISTRICT
Notes to Financial Statements

E. Compensated absences payable

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

Note 7 – Short-Term Financing

During the fiscal year ended June 30, 2015, the school district participated in the following short-term financing for the purpose of supplementing the district's resources until tax proceeds become available:

A. Bank-financed short term debt.

The school district issued a revenue anticipation note payable to Bancorpsouth Bank, and the proceeds from such issuance are accounted for as a current liability in the General Fund of the school district. Once the cash flow was available, the district made a payment consisting of principal and interest to the trustee.

All transactions related to participation in this program are accounted for as part of the school district's General Fund.

B. Changes in short-term debt activity recorded in the governmental activities during fiscal year 2015 are as follows:

Description	Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015
Tax Anticipation Note, 0.90%	\$ -	\$ 20,000,000	\$ 20,000,000	\$ -

Note 8 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age

JACKSON PUBLIC SCHOOL DISTRICT
Notes to Financial Statements

that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2015, 2014 and 2013 were \$23,198,820, \$22,224,676 and \$21,129,139, respectively, which equaled the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the school district reported a liability of \$280,432,367 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2014, the school district's proportion was 2.310335%.

For the year ended June 30, 2015, the District recognized pension expense of \$14,768,514. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,374,662	\$
Net difference between projected and actual earnings on pension plan investments		40,650,732
Changes in proportion and differences between District contributions and proportionate share of contributions		11,742,942
District contributions subsequent to the measurement date	23,198,820	
Total	\$ 27,573,482	\$ 52,393,674

\$23,198,820 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (12,813,143)
2017	(12,813,143)
2018	(12,230,042)
2019	(10,162,684)

JACKSON PUBLIC SCHOOL DISTRICT
Notes to Financial Statements

Actuarial assumptions. The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 percent
Salary increases	4.25 – 19.50 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013.

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

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

Discount rate. The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

JACKSON PUBLIC SCHOOL DISTRICT
Notes to Financial Statements

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
District's proportionate share of the net pension liability	\$ 382,312,942	\$ 280,432,367	\$ 195,448,819

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

Note 9 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2016	\$ 746,316
2017	746,317
2018	700,228
2019	660,381
2020	660,381
2021-2023	1,981,143
2024 – 2028	3,107,095
2029 – 2033	2,150,840
2034 – 2038	1,667,465
Thereafter	1,183,395
Total	\$ 13,603,561

JACKSON PUBLIC SCHOOL DISTRICT
Notes to Financial Statements

Note 10 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Implementation of GASB 68 and 71:	
Net pension liability (measurement date)	\$ (335,907,541)
Deferred outflows - contributions made during fiscal year 2014	22,224,676
Total prior period adjustment related to GASB 68 and 71	\$ (313,682,865)
2. To record architect fees paid in prior year related to Northwest Middle School as an adjustment to capital assets	179,387
3. To correct a prior year negative balance, prior year receivable balances, and record repayments to state treasurer at the governmental fund level	(65,420)
Total	<u>\$ (313,568,898)</u>

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

Fund	Explanation	Amount
General Fund	To correct prior year negative balance in a Capital Projects Fund	\$ (969)
Other governmental funds	To correct prior year receivable balances and record repayments to state treasurer	(64,451)
Total		<u>\$ (65,420)</u>

Note 11 – Fund Reclassification

A fund reclassification in the amount of \$324,223 was needed to report Sixteenth Section Interest Funds, previously reported as Special Revenue Funds in prior years, as General Funds for fiscal year ended June 30, 2015.

Note 12 – Contingencies

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

JACKSON PUBLIC SCHOOL DISTRICT
Notes to Financial Statements

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

Note 13 – Risk Management

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

Note 14 - Insurance loss recoveries

The Jackson Public School District received \$768,724 in insurance loss recoveries related to storm damage and various other damages to property during the 2014-2015 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and were allocated to the support services expense function.

Note 15 – Effect of Deferred Amounts on Net Position

The net investment in capital assets net position amount of \$48,013,441 includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of school district debt and deferred bond premiums. The \$9,820,690 balance of the deferred outflow of resources at June 30, 2015, will be recognized as an expense and decrease the net investment in capital assets net position over the next 13 years. The \$7,457,692 balance of the deferred bond premiums at June 30, 2015, will be recognized as a decrease in an expense and increase the net investment in capital assets net position over the next 13 years.

The unrestricted net position amount of (\$325,077,323) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$23,198,820 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The \$4,374,662 balance of the deferred outflow of resources related to pensions at June 30, 2015 will be recognized in pension expense over the next 3 years. The \$52,393,674 balance of the deferred inflow of resources related to pensions at June 30, 2015 will be recognized in pension expense over the next 4 years.

JACKSON PUBLIC SCHOOL DISTRICT
Notes to Financial Statements

Note 16 – Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Jackson Public School District evaluated the activity of the district through March 26, 2016, (the date the financial statements were available to be issued), and determined that there were no subsequent events that have occurred requiring disclosure in the notes to financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

JACKSON PUBLIC SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
General Fund
For Year Ended June 30, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 74,309,276	\$ 75,166,466	\$ 76,391,404	\$ 857,190	\$ 1,224,938
State sources	123,576,880	123,576,880	123,805,217	-	228,337
Federal sources	1,110,000	1,110,000	1,519,916	-	409,916
Sixteenth section sources	1,346,100	1,346,100	1,343,944	-	(2,156)
Total Revenues	200,342,256	201,199,446	203,060,481	857,190	1,861,035
Expenditures:					
Instruction	115,272,759	114,502,158	116,123,384	770,601	(1,621,226)
Support services	79,257,614	80,523,536	81,069,230	(1,265,922)	(545,694)
Noninstructional services	65,000	65,000	82	-	64,918
Sixteenth section	146,100	146,100	94,271	-	51,829
Facilities acquisition and construction	1,114,187	2,289,664	-	(1,175,477)	2,289,664
Debt service:					
Principal	20,492,458	20,492,458	492,458	-	20,000,000
Interest	143,008	78,241	78,241	64,767	-
Other	25,000	25,000	-	-	25,000
Total Expenditures	216,516,126	218,122,157	197,857,666	(1,606,031)	20,264,491
Excess (Deficiency) of Revenues					
over (under) Expenditures	(16,173,870)	(16,922,711)	5,202,815	(748,841)	22,125,526
Other Financing Sources (Uses):					
Bonds and notes issued	20,000,000	20,000,000	-	-	(20,000,000)
Insurance recovery	25,000	25,000	162,542	-	137,542
Sale of other property	-	-	8,600	-	8,600
Operating transfers in	7,255,000	7,365,252	687,134	110,252	(6,678,118)
Operating transfers out	(12,100,076)	(11,412,432)	(5,235,565)	687,644	6,176,867
Total Other Financing Sources (Uses)	15,179,924	15,977,820	(4,377,289)	797,896	(20,355,109)
Net Change in Fund Balances	(993,946)	(944,891)	825,526	49,055	1,770,417
Fund Balances:					
July 1, 2014, as previously reported	14,191,320	14,191,320	14,031,932	-	(159,388)
Fund reclassification	-	-	324,223	-	324,223
Prior period adjustments	(147,668)	(148,637)	(969)	(969)	147,668
July 1, 2014, as restated	14,043,652	14,042,683	14,355,186	(969)	312,503
Increase (Decrease) in inventory	-	-	11,077	-	11,077
June 30, 2015	\$ 13,049,706	\$ 13,097,792	\$ 15,191,789	\$ 48,086	\$ 2,093,997

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

JACKSON PUBLIC SCHOOL DISTRICT
Required Supplementary Information
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERS
Last 10 Fiscal Years*

	<u>2015</u>
District's proportion of the net pension liability (asset)	2.310335%
District's proportionate share of the net pension liability (asset)	\$ 280,432,367
District's covered-employee payroll	141,109,054
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	198.73%
Plan fiduciary net position as a percentage of the total pension liability	67%

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

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

JACKSON PUBLIC SCHOOL DISTRICT
Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

PERS

Last 10 Fiscal Years*

	<u>2016</u>
Contractually required contribution	\$ 23,198,820
Contributions in relation to the contractually required contribution	\$ 23,198,820
Contribution deficiency (excess)	<u>\$ 0</u>
District's covered-employee payroll	147,294,095
Contributions as a percentage of covered-employee payroll	15.75%

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

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

JACKSON PUBLIC SCHOOL DISTRICT
Notes to Required Supplementary Information

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTARY INFORMATION

**JACKSON PUBLIC SCHOOL DISTRICT
Supplementary Information**

**Schedule of Expenditures of Federal Awards
For Year Ended June 30, 2016**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 4,902,904
National school lunch program	10.555	14,191,782
Summer food service program for children	10.559	382,745
Fresh Fruit & Vegetable Program	10.582	575,876
Total child nutrition cluster		<u>20,053,107</u>
Total passed-through Mississippi Department of Education		<u>20,053,107</u>
Total U.S. Department of Agriculture		<u>20,053,107</u>
<u>U.S. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	805,469
Department of the Army		
Pass-Through Jackson State University: CSTEME Grant	12.630	209,076
Total U.S. Department of Defense		<u>1,014,545</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	1,253,768
Total Federal Communications Commission		<u>1,253,768</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Adult Education - Basic Grants to States	84.002	277,043
Career and technical education - basic grants to states	84.048	285,920
Rehabilitation Service	84.126	8,484
Education for homeless children and youth	84.196	144,999
Twenty-first century community learning centers	84.287	715,475
School Leadership	84.363	91,426
English language acquisition grants	84.365	27,650
Teaching Incentive	84.374	354,816
Improving Teacher Quality State Grants	84.367	1,967,235
Subtotal		<u>3,873,048</u>
Title I cluster:		
Title I grants to local educational agencies	84.010	16,338,086
Title VI - State Assessment grants to local educational agencies	84.369	557,223
Total Title I cluster		<u>16,895,309</u>
Special education cluster:		
Special education - grants to states	84.027	6,603,017
Special education - preschool grants	84.173	142,578
Total special education cluster		<u>6,745,595</u>
Total passed-through Mississippi Department of Education		<u>27,513,952</u>
Total U.S. Department of Education		<u>27,513,952</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	257,665
Total passed-through Mississippi Department of Education		<u>257,665</u>
Total U.S. Department of Health and Human Services		<u>257,665</u>
<u>Corporation for National and Community Service</u>		
Passed-through the Mississippi Department of Education:		
		\$ 50,093,037
Total for All Federal Awards		<u>\$ 50,093,037</u>

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

**JACKSON PUBLIC SCHOOL DISTRICT
Supplementary Information**

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For Year Ended June 30, 2015**

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 206,010,100	147,920,550	8,222,930	15,587,350	34,279,270
Other	80,336,121	15,849,374	1,754,711	55,795	62,676,241
Total	\$ 286,346,221	163,769,924	9,977,641	15,643,145	96,955,511
 Total number of students *	 28,140				
 Cost per student	 \$ 10,176	 5,820	 355	 556	 3,445

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

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

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

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

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

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

OTHER INFORMATION

JACKSON PUBLIC SCHOOL DISTRICT
Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years
UNAUDITED

	2015	2014*	2013*	2012*
Revenues:				
Local sources	\$ 76,391,404	\$ 74,210,965	\$ 73,583,689	\$ 73,515,639
State sources	123,805,217	122,121,581	120,344,422	120,931,885
Federal sources	1,519,916	314,018	1,122,646	1,297,012
Sixteenth section sources	1,343,944			
Total Revenues	203,060,481	196,646,564	195,050,757	195,744,536
Expenditures:				
Instruction	116,123,384	111,756,722	114,685,673	111,114,918
Support services	81,069,230	78,379,931	76,255,908	80,622,526
Noninstructional services	82	26,208		122,345
Sixteenth section	94,271			
Debt service:				
Principal	492,458	474,777	692,262	907,020
Interest	78,241	119,923	231,015	465,566
Other	-	22,158	29,539	22,000
Total Expenditures	197,857,666	190,779,719	191,894,397	193,254,375
Excess (Deficiency) of Revenues over (under) Expenditures	5,202,815	5,866,845	3,156,360	2,490,161
Other Financing Sources (Uses):				
Insurance recovery	162,542	13,447	43,677	57,646
Payment to refunded bond escrow agent				(520,062)
Payment to QZAB/QSCB debt escrow agent			(117,884)	
Sale of other property	8,600			6,000
Operating transfers in	687,134	1,518,360	10,521,017	2,330,502
Operating transfers out	(5,235,565)	(5,460,686)	(4,934,983)	(5,425,771)
Other financing uses				(1,915)
Total Other Financing Sources (Uses)	(4,377,289)	(3,928,879)	5,511,827	(3,553,600)
Net Change in Fund Balances	825,526	1,937,966	8,668,187	(1,063,439)
Fund Balances:				
Beginning of period, as originally reported	14,031,932	12,560,397	4,275,555	5,191,202
Fund Reclassification	324,223			
Prior period adjustments	(969)	(614,783)	(358,485)	
Beginning of period, as restated	<u>14,355,186</u>	<u>11,945,614</u>	<u>3,917,070</u>	<u>5,191,202</u>
Increase (Decrease) in reserve for inventory	11,077	148,352	(24,860)	147,792
End of Period	\$ 15,191,789	\$ 14,031,932	\$ 12,560,397	\$ 4,275,555

*SOURCE - PRIOR YEAR AUDIT REPORTS

JACKSON PUBLIC SCHOOL DISTRICT
Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Government Funds

Last Four Years - UNAUDITED

	2015	2014	2013*	2012*
Revenues:				
Local sources	\$ 95,408,797	\$ 85,317,586	\$ 91,114,416	\$ 89,312,231
State sources	133,007,521	130,606,389	128,322,424	129,200,340
Federal sources	50,647,538	49,992,481	57,456,134	70,913,121
Sixteenth section sources	1,343,944	1,275,399	1,250,292	1,318,283
Total Revenues	<u>280,407,800</u>	<u>267,191,855</u>	<u>278,143,266</u>	<u>290,743,975</u>
Expenditures:				
Instruction	136,464,355	133,110,416	138,118,300	148,823,200
Support services	105,779,118	101,784,037	100,010,344	105,753,918
Noninstructional services	19,430,964	20,242,253	19,386,670	19,126,621
Sixteenth section	94,271	118,949	109,113	63,710
Facilities acquisition and construction	1,966,884		311,332	3,124,610
Debt service:				
Principal	13,054,904	5,074,952	16,502,659	9,795,903
Interest	9,541,965	6,592,635	5,893,215	9,589,255
Other	13,760	40,518	470,328	35,700
Total Expenditures	<u>286,346,221</u>	<u>266,963,760</u>	<u>280,801,961</u>	<u>296,312,917</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(5,938,421)</u>	<u>228,095</u>	<u>(2,658,695)</u>	<u>(5,568,942)</u>
Other Financing Sources (Uses):				
Bonds and notes issued				
Capital leases issued		3,999,791		
Insurance recovery	768,724	13,447	868,150	220,729
Refunding bonds issued			36,165,000	
Payments held by escrow agent			117,884	520,062
Proceeds of loans				
Premiums on bonds and refunding bonds issued			3,631,055	
Payment to refunded bond escrow agent			(39,369,801)	
Payment to QZAB/QSCB debt escrow agent			(117,884)	(520,062)
Sale of transportation equipment				
Sale of other property	8,600			6,000
Operating transfers in	6,026,146	7,181,677	23,949,265	8,205,770
Other financing sources				1,915
Operating transfers out	(6,026,146)	(7,181,677)	(23,949,265)	(8,205,770)
Other financing uses			(250,935)	(1,915)
Total Other Financing Sources (Uses)	<u>777,324</u>	<u>4,013,238</u>	<u>1,043,469</u>	<u>226,729</u>
Extraordinary item		9,258,944		
Net Change in Fund Balances	<u>(5,161,097)</u>	<u>13,500,277</u>	<u>(1,615,226)</u>	<u>(5,342,213)</u>
Fund Balances:				
Beginning of period, as originally reported	39,056,202	25,868,061	27,283,125	32,599,224
Prior period adjustments	(65,420)	(421,518)	14,191	(42,105)
Beginning of period, as restated	<u>38,990,782</u>	<u>25,446,543</u>	<u>27,297,316</u>	<u>32,557,119</u>
Increase (Decrease) in reserve for inventory	6,650	109,382	185,971	68,219
End of Period	<u>\$ 33,836,335</u>	<u>39,056,202</u>	<u>25,868,061</u>	<u>27,283,125</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



WATKINS, WARD and STAFFORD
 Professional Limited Liability Company
 Certified Public Accountants

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Independent Auditors' Report

On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

Superintendent and School Board
 Jackson Public School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson Public School District, as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise Jackson Public School District's basic financial statements, and have issued our report thereon dated March 26, 2016.

Internal Control Over Financial Reporting

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

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 weakness or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. **2015-01**

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency. **2015-02**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of 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*.

Jackson Public School District's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. We did not audit Jackson Public School District's responses and, accordingly, we express no opinion on them.

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.

Watkins, Ward, and Stafford, PLLC
Jackson, Mississippi
March 26, 2016

Watkins Ward and Stafford, PLLC



WATKINS, WARD and STAFFORD
Professional Limited Liability Company
Certified Public Accountants

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Superintendent and School Board
Jackson Public School District

Report on Compliance for Each Major Federal Program

We have audited Jackson Public School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Jackson Public School District's major federal programs for the year ended June 30, 2015. Jackson Public School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Jackson Public School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Jackson Public School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Jackson Public School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Jackson Public School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Jackson Public School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Jackson Public School District's internal control over compliance.

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

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

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Watkins, Ward, and Stafford, PLLC
Jackson, Mississippi
March 26, 2016

Watkins Ward and Stafford, PLLC

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS



WATKINS, WARD and STAFFORD
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**INDEPENDENT AUDITOR'S REPORT
 ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**

Superintendent and School Board
 Jackson Public School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson Public School District as of and for the year ended June 30, 2015, which collectively comprise Jackson Public School District's basic financial statements and have issued our report thereon dated March 26, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported a zero balance of classroom supply funds carried over from previous years.

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

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

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

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

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

Watkins, Ward and Stafford, PLLC
 Jackson, Mississippi
 March 26, 2016

Watkins Ward and Stafford, PLLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Jackson Public School District
 Schedule of Findings and Questioned Costs
 For Year Ended June 30, 2015

Section I: Summary of Auditors' Results

Financial Statements:

- | | |
|----------------------------------------------------------|------------|
| 1. Type of auditors' report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness identified? | Yes |
| b. Significant deficiency identified? | Yes |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards:

- | | |
|---------------------------------------------------------------------------------------------------------------------------|---------------|
| 4. Internal control over major programs: | |
| a. Material weakness identified? | No |
| b. Significant deficiency identified? | None Reported |
| 5. Type of auditors' report issued on compliance for major programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | No |

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553;10.555;10.559 & 10.582	Child Nutrition Cluster
84.010; 84.369	Title I Cluster
84.027;84.173	Special Education Cluster
32.XXX	The Schools and Libraries program of the universal service fund

- | | |
|-----------------------------------------------------------------------------|-------------|
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$1,502,791 |
| 9. Auditee qualified as low-risk auditee? | No |

Section II: Financial Statement Findings

Material Weakness:

2015-01 Finding

Transportation Department's Internal Controls Related to Personnel time entry and overtime should be strengthened.

Management is responsible for establishing a proper internal control system to ensure strong financial accountability and safeguarding against time abuse.

During our tests of internal controls we noted the following:

We noticed several transportation hourly employees who were paid for overtime without the necessary time sheet to support this overtime, which was significant and in some cases unreasonable.

Recommendation

We recommend that the district strengthen its internal controls by implementing and enforcing an efficient and effective timesheet or time clock system for all hourly employees including a formal approval process for all overtime pay. Also the district needs to ensure that personnel files and records are properly documented, filed and stored.

Significant Deficiency Not Considered to be a Material Weakness:

2015-02 Finding

The capital asset schedule used to calculate depreciation is manual and inadequate. The capital asset software used by the district to track capital assets should be used to calculate depreciation. As a result, non-depreciable and depreciable capital assets purchased had been incorrectly classified, which caused depreciation expense to be understated. This condition was caused by an incomplete preparation of the large manual spreadsheet application that is utilized to create the depreciation schedule for capital assets. Appropriate adjustments were performed to properly state capital assets at year end.

Recommendation

The district should utilize capital asset software that is capable of classifying and depreciating capital assets properly.

Section III: Federal Award Findings and Questioned Costs

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

AUDITEE'S CORRECTIVE ACTION PLAN
AND
SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS

Jackson Public School District
Post Office Box 2338
Jackson, MS 39225-2338
Dr. Cedrick Gray - Superintendent
Sharolyn Miller, Chief Financial Officer

AUDITEE'S CORRECTIVE ACTION PLAN

Jackson Public School District has prepared and hereby submits the following corrective action plan for the finding included in the Schedule of Findings and Questioned Costs for the Year ended June 30, 2015:

Finding Corrective Action Plan Details

2015-01 Transportation Department's Internal Controls Related to Personnel time entry and overtime should be strengthened.

- A. Name of contact person responsible for Corrective Action:
 Name: Joseph Sargent
 Title: Executive Director of Transportation

B. Corrective Action Planned:

The district has implemented a biometric timeclock system to properly monitor and track overtime of hourly employees.

- C. June 30, 2015

2015-02 Capital Asset Process and Depreciation

- A. Name of contact person responsible for Corrective Action:
 Name: Wilton Jackson
 Title: Director of Property Accounting & Fixed Assets

B. Corrective Action Planned:

The district will implement policies and procedures to ensure that capital assets are properly depreciated with the district's capital asset software system.

- C. June 30, 2015

Jackson Public School District
Post Office Box 2338
Jackson, MS 39225-2338
Dr. Cedrick Gray - Superintendent
Sharolyn Miller, Chief Financial Officer

AUDITEE'S SUMMARY OF PRIOR YEAR AUDIT FINDINGS

As required by Section __.315(b) of OMB Circular A-133, the Jackson Public School District has prepared and hereby submits the following summary of prior year audit findings as of June 30, 2015:

<u>Findings</u>	<u>Status</u>
2014-01	Repeated
2014-02	Repeated