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JACKSON PUBLIC SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2018

TABLE OF CONTENTS

	<u>PAGE</u>
OTHER INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years	66
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years	67
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
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 <i>Government Auditing Standards</i>	70
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	72
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	76
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	79
AUDITEE'S CORRECTIVE ACTION PLAN	82

INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITOR'S 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, 2018, and the related notes to the financial statements, which collectively comprise the Jackson Public School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 6-13, 53, 54-55 and 56-57, 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 basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Jackson Public School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jackson Public School District's internal control over financial reporting and compliance.

JD CPA, PLLC

Jackson, Mississippi
February 15, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

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JACKSON PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For Year Ended June 30, 2018

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, 2018. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2018 decreased \$33,137,002, including a prior period adjustment of (\$28,169,540) due primarily to the recording of the net OPEB liability and the related deferred inflows and outflows, which represents a 13% decrease from fiscal year 2017. Total net position for 2017 decreased \$3,904,117, including a prior period adjustment of \$1,221,366, which represents a 2% decrease from fiscal year 2016.
- General revenues amounted to \$220,754,811 and \$228,416,381, or 81% and 78% of all revenues for fiscal years 2018 and 2017, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$52,098,106, or 19% of total revenues for 2018, and \$64,714,422, or 22% of total revenues for 2017.
- The District had \$277,820,379 and \$298,256,286 in expenses for fiscal years 2018 and 2017; only \$52,098,106 for 2018 and \$64,714,422 for 2017 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$220,754,811 for 2018 and \$228,416,381 for 2017 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$197,874,412 in revenues and \$194,347,394 in expenditures for 2018, and \$205,078,474 in revenues and \$195,566,454 in expenditures in 2017. The General Fund's fund balance increased by \$1,107,399 from 2017 to 2018, including a prior period adjustment of (\$30,588) and a decrease in inventory of \$24,998, and increased by \$4,073,083 from 2016 to 2017, including a prior period adjustment of (\$68,660) and an increase in inventory of \$29,458.
- Capital assets, net of accumulated depreciation, decreased by \$71,057 for 2018 and increased by \$1,228,277 for 2017. The decrease for 2018 was due to the disposal of buildings, mobile equipment, furniture and equipment, and leased property under capital leases, coupled with the increase in accumulated depreciation.
- Long-term debt, excluding bond premium, decreased by \$8,404,365 for 2018 and decreased by \$13,604,376 for 2017. The decrease for 2018 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$171,631 for 2018 and decreased by \$17,197 for 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

JACKSON PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For Year Ended June 30, 2018

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

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

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

Fund Financial Statements

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

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

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

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

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

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:

JACKSON PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For Year Ended June 30, 2018

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

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

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

A net pension liability and net OPEB liability result in liabilities on the government-wide financial statements but are not reported on governmental funds financial statements.

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

Notes to the financial statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of District Contributions (PERS), Schedule of the District's Proportionate Share of the Net OPEB Liability, and Schedule of District Contributions (OPEB) as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Other Information

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

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 \$292,599,941 as of June 30, 2018.

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.

JACKSON PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For Year Ended June 30, 2018

Table 1 presents a summary of the District's net position at June 30, 2018 and June 30, 2017.

Table 1
Condensed Statement of Net Position

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
Current assets	\$ 72,720,814	\$ 71,087,117	2.30 %
Restricted assets	8,715,186	7,088,207	22.95 %
Capital assets, net	196,494,599	196,565,656	(0.04) %
Total assets	<u>277,930,599</u>	<u>274,740,980</u>	1.16 %
Deferred outflows of resources	<u>53,526,851</u>	<u>102,504,611</u>	(47.78) %
Current liabilities	16,266,385	17,156,958	(5.19) %
Long-term debt outstanding	183,305,561	193,761,347	(5.40) %
Net OPEB liability	26,350,519	-	N/A %
Net pension liability	378,914,640	421,187,498	(10.04) %
Total liabilities	<u>604,837,105</u>	<u>632,105,803</u>	(4.31) %
Deferred inflows of resources	<u>19,220,286</u>	<u>4,602,727</u>	317.58 %
Net position:			
Net investment in capital assets	62,465,823	55,566,719	12.42 %
Restricted	27,669,545	24,104,562	14.79 %
Unrestricted	(382,735,309)	(339,134,220)	12.86 %
Total net position	<u>\$ (292,599,941)</u>	<u>\$ (259,462,939)</u>	12.77 %

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (382,735,309)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the related deferred outflows and deferred inflows	<u>385,717,622</u>
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 2,982,313</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 \$71,057.
- The issuance of three mill notes in the amount of \$2,500,000 and obligations under capital leases in the amount of \$3,973,617 during the fiscal year.
- The principal retirement of \$14,682,501 of long-term debt.
- Recognition of the net pension liability in the amount of \$378,914,640.
- Implementation of GASB 75 which resulted in the recognition of a net OPEB liability in the amount of \$26,350,519.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2018 and June 30, 2017 were \$272,852,917 and \$293,130,803, respectively. The total cost of all programs and services was \$277,820,379 for 2018 and \$298,256,286 for 2017.

JACKSON PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For Year Ended June 30, 2018

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2018 and June 30, 2017.

Table 2
Changes in Net Position

	<u>Year Ended</u> <u>June 30, 2018</u>	<u>Year Ended</u> <u>June 30, 2017</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 2,146,495	\$ 11,067,324	(80.61) %
Operating grants and contributions	49,951,611	53,647,098	(6.89) %
General revenues:			
Property taxes	94,083,314	95,357,603	(1.34) %
Grants and contributions not restricted	124,011,176	130,520,922	(4.99) %
Investment earnings	499,642	61,018	718.84 %
Sixteenth section sources	1,199,009	1,319,315	(9.12) %
Other	961,670	1,157,523	(16.92) %
Total revenues	<u>272,852,917</u>	<u>293,130,803</u>	(6.92) %
Expenses:			
Instruction	114,834,072	121,613,307	(5.57) %
Support services	96,690,276	100,966,010	(4.23) %
Non-instructional	16,620,864	18,781,969	(11.51) %
Sixteenth section	86,280	61,371	40.59 %
Pension expense	41,180,016	49,172,977	(16.25) %
OPEB expense	1,218,171	-	N/A %
Interest on long-term liabilities	7,190,700	7,660,652	(6.13) %
Total expenses	<u>277,820,379</u>	<u>298,256,286</u>	(6.85) %
Increase (Decrease) in net position	<u>(4,967,462)</u>	<u>(5,125,483)</u>	(3.08) %
Net Position, July 1, as previously reported	<u>(259,462,939)</u>	<u>(255,558,822)</u>	1.53 %
Prior Period Adjustment	<u>(28,169,540)</u>	<u>1,221,366</u>	(2,406.40) %
Net Position, July 1, as restated	<u>(287,632,479)</u>	<u>(254,337,456)</u>	13.09 %
Net Position, June 30	<u>\$ (292,599,941)</u>	<u>\$ (259,462,939)</u>	12.77 %

Governmental activities

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

JACKSON PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For Year Ended June 30, 2018

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2018</u>	<u>2017</u>	
Instruction	\$ 114,834,072	\$ 121,613,307	(5.57) %
Support services	96,690,276	100,966,010	(4.23) %
Non-instructional	16,620,864	18,781,969	(11.51) %
Sixteenth section	86,280	61,371	40.59 %
Pension Expense	41,180,016	49,172,977	(16.25) %
OPEB Expense	1,218,171	-	N/A %
Interest on long-term liabilities	7,190,700	7,660,652	(6.13) %
Total expenses	<u>\$ 277,820,379</u>	<u>\$ 298,256,286</u>	(6.85) %

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2018</u>	<u>2017</u>	
Instruction	\$ (97,448,071)	\$ (102,805,969)	(5.21) %
Support services	(81,686,721)	(76,038,015)	7.43 %
Non-instructional	3,087,686	2,197,120	40.53 %
Sixteenth section	(86,280)	(61,371)	40.59 %
Pension Expense	(41,180,016)	(49,172,977)	(16.25) %
OPEB Expense	(1,218,171)	-	N/A %
Interest on long-term liabilities	(7,190,700)	(7,660,652)	(6.13) %
Total net (expense) revenue	<u>\$ (225,722,273)</u>	<u>\$ (233,541,864)</u>	(3.35) %

- Net cost of governmental activities (\$225,722,273 for 2018 and \$233,541,864 for 2017) was financed by general revenue, which is primarily made up of property taxes (\$94,083,314 for 2018 and \$95,357,603 for 2017) and state and federal revenues (\$124,011,176 for 2018 and \$130,520,922 for 2017). In addition, there was \$1,199,009 and \$1,319,315 in Sixteenth Section sources for 2018 and 2017, respectively.
- Investment earnings amounted to \$499,642 for 2018 and \$61,018 for 2017.

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 \$66,907,561, an increase of \$4,012,076, which includes a prior period adjustment of (\$1,203,733) and an increase in inventory of \$59,865. \$21,016,822, or 31% 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 \$45,890,739, or 69% is either non-spendable, 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
For Year Ended June 30, 2018

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 \$1,107,399, which includes a prior period adjustment of (\$30,588) and a decrease in inventory of \$24,998. The fund balance of Other Governmental Funds showed an increase in the amount of \$2,904,677, which includes a prior period adjustment of (\$1,173,145) and an increase in inventory of \$84,863.

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2018, the District's total capital assets were \$329,915,917, 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 \$4,437,697 from 2017, due primarily to the ongoing construction of school facilities and the purchase of various items of furniture and equipment and leased property under capital leases. Total accumulated depreciation as of June 30, 2018, was \$133,421,318, and total depreciation expense for the year was \$6,684,933, resulting in total net capital assets of \$196,494,599.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 6,780,059	\$ 6,780,059	0.00 %
Construction in Progress	16,846,243	15,537,237	8.42 %
Buildings	148,716,864	152,732,820	(2.63) %
Improvements other than buildings	15,126,638	15,873,771	(4.71) %
Mobile equipment	1,502,268	1,742,608	(13.79) %
Furniture and equipment	2,180,132	1,286,393	69.48 %
Leased property under capital leases	5,342,395	2,612,768	104.47 %
Total	<u>\$ 196,494,599</u>	<u>\$ 196,565,656</u>	(0.04) %

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

Debt Administration. At June 30, 2018, the District had \$183,305,561 in outstanding long-term debt, including bond premium, of which \$15,180,868 is due within one year. During the fiscal year, the District received proceeds from the issuance of a three mill note in the amount of \$2,500,000 and entered into a capital lease in the amount of \$3,973,617. The District made principal payments totaling \$14,682,501 on outstanding long-term debt. The liability for compensated absences decreased \$171,631 from the prior year.

JACKSON PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For Year Ended June 30, 2018

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 17,225,000	\$ 23,510,000	(26.73) %
Special obligation bonds payable	107,050,000	113,935,000	(6.04) %
Three mill notes payable	16,250,000	14,355,000	13.20 %
Obligations under capital leases	6,265,741	3,223,475	94.38 %
Qualified school construction bonds payable	15,400,000	15,400,000	0.00 %
Compensated absences payable	1,904,342	2,075,973	(8.27) %
Bond premiums	19,210,478	21,261,899	(9.65) %
Total	<u>\$ 183,305,561</u>	<u>\$ 193,761,347</u>	(5.40) %

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

CURRENT ISSUES

The 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.

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FINANCIAL STATEMENTS

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JACKSON PUBLIC SCHOOL DISTRICT

Statement of Net Position
June 30, 2018

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 55,526,426
Due from other governments	14,992,503
Other receivables, net	608,183
Inventories	1,593,702
Restricted assets	8,715,186
Capital assets, non-depreciable:	
Land	6,780,059
Construction in progress	16,846,243
Capital assets, net of accumulated depreciation:	
Buildings	148,716,864
Improvements other than buildings	15,126,638
Mobile equipment	1,502,268
Furniture and equipment	2,180,132
Leased property under capital leases	5,342,395
Total Assets	277,930,599
 Deferred Outflows of Resources	
Deferred outflows - advance refunding of debt	14,759,028
Deferred outflows - pensions	37,644,461
Deferred outflows - OPEB	1,123,362
Total Deferred Outflows of Resources	53,526,851
 Liabilities	
Accounts payable and accrued liabilities	14,527,470
Unearned revenue	969
Interest payable on long-term liabilities	1,737,946
Long-term liabilities, due within one year:	
Capital related liabilities	12,453,151
Non-capital related liabilities	2,727,717
Net OPEB liability	1,089,245
Long-term liabilities, due beyond one year:	
Capital related liabilities	120,846,340
Capital related bond premiums	19,210,478
Non-capital related liabilities	28,067,875
Net pension liability	378,914,640
Net OPEB liability	25,261,274
Total Liabilities	604,837,105
 Deferred Inflows of Resources	
Deferred inflows - pensions	17,367,039
Deferred inflows - OPEB	1,853,247
Total Deferred Inflows of Resources	19,220,286
 Net Position	
Net investment in capital assets	62,465,823
Restricted for:	
Expendable:	
School-based activities	11,388,870
Debt service	13,531,815
Capital improvements	80,094
Forestry improvements	39,830
Unemployment benefits	2,330,361
Non-expendable:	
Sixteenth section	298,575
Unrestricted	(382,735,309)
Total Net Position (deficit)	\$ (292,599,941)

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

JACKSON PUBLIC SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 114,834,072	\$ 1,359,989	\$ 16,026,012	-	\$ (97,448,071)
Support services	96,690,276	35,998	14,967,557	-	(81,686,721)
Non-instructional	16,620,864	750,508	18,958,042	-	3,087,686
Sixteenth section	86,280	-	-	-	(86,280)
Pension expense	41,180,016	-	-	-	(41,180,016)
OPEB expense	1,218,171	-	-	-	(1,218,171)
Interest on long-term liabilities	7,190,700	-	-	-	(7,190,700)
Total Governmental Activities	<u>\$ 277,820,379</u>	<u>\$ 2,146,495</u>	<u>\$ 49,951,611</u>	<u>-</u>	<u>\$ (225,722,273)</u>

General Revenues:

Taxes:

General purpose levies 72,522,063

Debt purpose levies 21,561,251

Unrestricted grants and contributions:

State 122,607,917

Federal 1,403,259

Unrestricted investment earnings 499,642

Sixteenth section sources 1,199,009

Other 961,670

Total General Revenues 220,754,811

Change in Net Position (4,967,462)

Net Position - Beginning, as previously reported (259,462,939)

Prior Period Adjustments (28,169,540)

Net Position - Beginning, as restated (287,632,479)

Net Position (deficit) - Ending \$ (292,599,941)

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

JACKSON PUBLIC SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2018

Exhibit C

	<u>Major Funds</u>		
	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 19,735,474	\$ 40,650,177	\$ 60,385,651
Cash with fiscal agents	-	3,855,961	3,855,961
Due from other governments	5,756,881	7,767,903	13,524,784
Other receivables, net	608,183	-	608,183
Due from other funds	11,019,540	1,385,068	12,404,608
Inventories	1,029,842	563,860	1,593,702
Total assets	<u>\$ 38,149,920</u>	<u>\$ 54,222,969</u>	<u>\$ 92,372,889</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 10,113,416	\$ 4,414,054	\$ 14,527,470
Due to other funds	1,384,315	9,552,574	10,936,889
Unavailable revenue - federal programs	-	969	969
Total Liabilities	<u>11,497,731</u>	<u>13,967,597</u>	<u>25,465,328</u>
Fund Balances:			
Nonspendable:			
Inventory	1,029,842	563,860	1,593,702
Permanent fund principal	-	298,575	298,575
Restricted:			
Debt service	-	15,269,761	15,269,761
Capital projects	-	3,802,259	3,802,259
Forestry improvement purposes	-	39,830	39,830
Grant activities	-	9,795,168	9,795,168
Unemployment benefits	-	2,330,361	2,330,361
Assigned:			
Facility repairs and improvements	-	8,155,558	8,155,558
Capital reserve	4,097,918	-	4,097,918
Activity funds/athletics	507,607	-	507,607
Unassigned	<u>21,016,822</u>	<u>-</u>	<u>21,016,822</u>
Total Fund Balances	<u>26,652,189</u>	<u>40,255,372</u>	<u>66,907,561</u>
Total Liabilities and Fund Balances	<u>\$ 38,149,920</u>	<u>\$ 54,222,969</u>	<u>\$ 92,372,889</u>

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

JACKSON PUBLIC SCHOOL DISTRICT

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position **Exhibit C-1**
June 30, 2018

Total fund balances for governmental funds **\$ 66,907,561**

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	16,846,243	
Buildings	232,129,863	
Improvements other than buildings	38,182,187	
Mobile equipment	11,005,068	
Furniture and equipment	16,167,602	
Leased property under capital leases	8,804,895	
Accumulated depreciation	<u>(133,421,318)</u>	196,494,599

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 (378,914,640)

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	37,644,461	
Deferred inflows of resources related to pensions	<u>(17,367,039)</u>	(358,637,218)

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

Net OPEB liability (26,350,519)

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

Deferred outflows of resources related to OPEB	1,123,362	
Deferred inflows of resources related to OPEB	<u>(1,853,247)</u>	(27,080,404)

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

General obligation bonds	(17,225,000)	
Special obligation bonds	(107,050,000)	
Other bonds payable	(15,400,000)	
Notes payable	(16,250,000)	
Capital lease obligations	(6,265,741)	
Compensated absences	(1,904,342)	
Unamortized charges	14,759,028	
Unamortized premiums	(19,210,478)	
Accrued interest payable	<u>(1,737,946)</u>	(170,284,479)

Net Position of governmental activities **\$ (292,599,941)**

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

JACKSON PUBLIC SCHOOL DISTRICT

Governmental Funds

**Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018**

Exhibit D

	<u>Major Funds</u>		
	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Local sources	\$ 74,936,573	\$ 22,718,549	\$ 97,655,122
State sources	120,173,514	6,410,423	126,583,937
Federal sources	1,565,316	45,813,535	47,378,851
Sixteenth section sources	1,199,009	-	1,199,009
Total Revenues	197,874,412	74,942,507	272,816,919
Expenditures:			
Instruction	107,066,830	19,060,566	126,127,396
Support services	86,976,798	18,062,823	105,039,621
Noninstructional services	57,951	18,057,175	18,115,126
Sixteenth section	86,280	-	86,280
Facilities acquisition and construction	-	1,309,006	1,309,006
Debt service:			
Principal	-	14,682,501	14,682,501
Interest	155,285	7,490,097	7,645,382
Other	4,250	55,868	60,118
Total Expenditures	194,347,394	78,718,036	273,065,430
Excess (Deficiency) of Revenues over (under) Expenditures	3,527,018	(3,775,529)	(248,511)
Other Financing Sources (Uses):			
Bonds and notes issued	-	2,500,000	2,500,000
Capital leases issued	3,973,617	-	3,973,617
Insurance recovery	35,998	-	35,998
Payments held by escrow agent	-	1,259,798	1,259,798
Payment to QSCB debt escrow agent	(1,259,798)	-	(1,259,798)
Operating transfers in	2,381,006	9,955,591	12,336,597
Operating transfers out	(6,392,153)	(5,944,444)	(12,336,597)
Other financing uses	(1,102,703)	(2,457)	(1,105,160)
Total Other Financing Sources (Uses)	(2,364,033)	7,768,488	5,404,455
Net Change in Fund Balances	1,162,985	3,992,959	5,155,944
Fund Balances:			
July 1, 2017, as previously reported	25,544,790	37,350,695	62,895,485
Prior period adjustments	(30,588)	(1,173,145)	(1,203,733)
July 1, 2017, as restated	25,514,202	36,177,550	61,691,752
Increase (Decrease) in inventory	(24,998)	84,863	59,865
June 30, 2018	\$ 26,652,189	\$ 40,255,372	\$ 66,907,561

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

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 the Year Ended June 30, 2018**

Exhibit D-1

Net change in fund balances - total governmental funds \$ 5,155,944

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	\$ 6,989,958	
Depreciation expense	<u>(6,684,933)</u>	305,025
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.		(372,020)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
Bonds and notes issued	(2,500,000)	
Capital leases issued	(3,973,617)	
Payments of debt principal	14,682,501	
Accrued interest payable	<u>139,173</u>	8,348,057
4. Some items relating to pensions and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. The activities include:		
Pension expense	(41,180,016)	
Contributions subsequent to the measurement date	<u>22,263,234</u>	(18,916,782)
5. Some items relating to OPEB and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. The activities include:		
OPEB expense	(1,218,171)	
Contributions subsequent to the measurement date	<u>1,123,362</u>	(94,809)
6. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences	171,631	
Change in inventory	59,865	
Amortization of deferred charges, premiums and discounts	<u>375,627</u>	<u>607,123</u>
Change in Net Position of governmental activities		\$ <u>(4,967,462)</u>

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

JACKSON PUBLIC SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Net Position
June 30, 2018

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 76,100	\$ 3,172,591
Other receivables	-	584,257
Total Assets	<u>76,100</u>	<u>\$ 3,756,848</u>
Liabilities		
Accounts payable and accrued liabilities	-	\$ 2,101,298
Due to other funds	-	1,467,719
Due to student clubs	-	187,831
Total Liabilities	<u>-</u>	<u>\$ 3,756,848</u>
Net Position		
Held in trust	<u>76,100</u>	
Total Net Position	<u>\$ 76,100</u>	

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

JACKSON PUBLIC SCHOOL DISTRICT

Fiduciary Funds

**Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2018**

Exhibit F

	Private-Purpose Trust Funds
Additions	
Interest on investments	\$ 1,020
Contributions and donations from private sources	38,949
Total Additions	39,969
 Deductions	
Educational media services	33,962
Total Deductions	33,962
Change in Net Position	6,007
 Net Position	
July 1, 2017	70,093
June 30, 2018	\$ 76,100

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

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JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

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. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a 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 the Financial Statements
For Year Ended June 30, 2018

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

The school district reports the following major governmental funds:

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

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.

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.

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

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 the Financial Statements
For Year Ended June 30, 2018

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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.

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The school district has incurred deferred outflows which are presented as a deferred outflow from advance refunding of debt, a deferred outflow related to pensions, and a deferred outflow related to OPEB. See Note 17 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 deferred inflows which are presented as a deferred inflow related to pensions and a deferred inflow related to OPEB. See Note 17 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) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. Fiduciary net position was zero as of the measurement date of June 30, 2017. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

12. Fund Balances

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

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

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

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

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

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

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

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

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$60,385,651 and \$3,248,691, respectively. The carrying amount of deposits reported in the government-wide financial statements included cash and cash equivalents of \$55,526,426 and a portion of restricted assets in the amount of \$4,859,225 (see Note 4).

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2018, none of the district's bank balance of \$58,172,415 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 \$3,855,961.

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

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	\$ 9,551,821
	Fiduciary funds	1,467,719
Other governmental funds	General Fund	1,384,315
	Other governmental funds	<u>753</u>
Total		<u>\$ 12,404,608</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 and to record the amounts due from the General Fund to various special revenue funds for the funding of daily operations. Also, inter-fund loans were made to record funds due the General Fund from various agency funds.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 6,392,153
Other governmental funds	General Fund	2,381,006
	Other governmental funds	<u>3,563,438</u>
Total		<u>\$ 12,336,597</u>

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

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling \$298,575 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash with fiscal agent balance totaling \$3,855,961 of the QSCB Bond Retirement Fund. Also, the restricted assets represent the cash balance of the QSCB Northwest Middle School Capital Projects Fund totaling \$1,684,662, the School Bond Series 2008 Capital Projects Fund totaling \$592,858, and the Limited Tax Note 2017A Capital Projects Fund totaling \$2,283,130 resulting from unspent proceeds of long-term debt at fiscal year end. Total restricted assets reported on the Statement of Net Position are \$8,715,186.

Note 5 – Capital Assets

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

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

	Balance 7/1/2017	Increases	Decreases	Adjustments	Balance 6/30/2018
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 6,780,059	\$	\$	\$	\$ 6,780,059
Construction-in-progress	15,537,237	1,309,006			16,846,243
Total non-depreciable capital assets	<u>22,317,296</u>	<u>1,309,006</u>	<u>-</u>	<u>-</u>	<u>23,626,302</u>
<u>Depreciable capital assets:</u>					
Buildings	232,633,673		503,810		232,129,863
Improvements other than buildings	38,182,187				38,182,187
Mobile equipment	12,542,970		1,534,000	(3,902)	11,005,068
Furniture and equipment	14,563,843	2,030,042	426,283		16,167,602
Leased property under capital leases	5,238,251	3,650,910	84,266		8,804,895
Total depreciable capital assets	<u>303,160,924</u>	<u>5,680,952</u>	<u>2,548,359</u>	<u>(3,902)</u>	<u>306,289,615</u>
<u>Less accumulated depreciation for:</u>					
Buildings	79,900,853	3,915,193	403,047		83,412,999
Improvements other than buildings	22,308,416	747,133			23,055,549
Mobile equipment	10,800,362	76,363	1,370,413	(3,512)	9,502,800
Furniture and equipment	13,277,450	1,078,891	372,543	3,672	13,987,470
Leased property under capital leases	2,625,483	867,353	30,336		3,462,500
Total accumulated depreciation	<u>128,912,564</u>	<u>6,684,933</u>	<u>2,176,339</u>	<u>160</u>	<u>133,421,318</u>
Total depreciable capital assets, net	<u>174,248,360</u>	<u>(1,003,981)</u>	<u>372,020</u>	<u>(4,062)</u>	<u>172,868,297</u>
Governmental activities capital assets, net	<u>\$ 196,565,656</u>	<u>\$ 305,025</u>	<u>\$ 372,020</u>	<u>\$ (4,062)</u>	<u>\$ 196,494,599</u>

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.

Adjustments were needed to correct the cost and accumulated depreciation for a few assets purchased in a prior year.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 4,121,666
Support services	2,327,242
Non-instructional	236,025
Total depreciation expense - Governmental activities	<u>\$ 6,684,933</u>

The details of construction-in-progress are as follows:

	Spent to June 30, 2018	Remaining Commitment
Governmental Activities:		
Northwest Middle School (enter project name)	\$ 16,442,928	\$ 230,686
	403,315	560,614
Total construction in progress	<u>\$ 16,846,243</u>	<u>\$ 791,300</u>

Construction projects included in governmental activities are funded with proceeds of qualified school construction bonds, limited tax notes, and other bond proceeds.

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

Note 6 – Long-term Liabilities

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

	Balance 7/1/2017	Additions	Reductions	Adjustments	Balance 6/30/2018	Amounts due within one year
A. General obligation bonds payable	\$ 23,510,000		\$ 6,285,000		\$ 17,225,000	\$ 1,370,000
B. Special obligation bonds payable	113,935,000		6,885,000		107,050,000	11,965,000
C. Three mill notes payable	14,355,000	2,500,000	605,000		16,250,000	815,000
D. Obligations under capital leases	3,223,475	3,973,617	907,501	(23,850)	6,265,741	935,651
E. Qualified school construction bonds payable	15,400,000				15,400,000	
F. Compensated absences payable	2,075,973		171,631		1,904,342	95,217
Subtotal	172,499,448	6,473,617	14,854,132	(23,850)	164,095,083	15,180,868
Add: Bond premium	21,261,899		2,051,421		19,210,478	
Total	\$ 193,761,347	\$ 6,473,617	\$ 16,905,553	\$ (23,850)	\$ 183,305,561	\$ 15,180,868

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
General obligation bonds, Series 2012-A	5.00%	1/15/2013	4/1/2028	\$ 21,065,000	\$ 17,225,000
Total				<u>\$ 21,065,000</u>	<u>\$ 17,225,000</u>

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

Year Ending June 30	Principal	Interest	Total
2019	\$ 1,370,000	\$ 861,250	\$ 2,231,250
2020	1,440,000	792,750	2,232,750
2021	1,510,000	720,750	2,230,750
2022	1,585,000	645,250	2,230,250
2023	1,665,000	566,000	2,231,000
2024 – 2028	9,655,000	1,495,750	11,150,750
Total	<u>\$ 17,225,000</u>	<u>\$ 5,081,750</u>	<u>\$ 22,306,750</u>

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

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

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, 2018, the amount of outstanding bonded indebtedness was equal to 1% of property assessments as of October 1, 2017.

B. Special obligation bonds payable

Special obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Special obligation bonds, Series 2015A	5.00%	11/10/2015	4/1/2028	\$ 104,990,000	\$ 98,340,000
2. Special obligation bonds, Series 2015B	0.58%-5.0%	11/10/2015	10/1/2020	13,080,000	8,710,000
Total				<u>\$ 118,070,000</u>	<u>\$ 107,050,000</u>

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

1. Special obligation bonds, Series 2015A issued on November 10, 2015:

Year Ending June 30	Principal	Interest	Total
2019	\$ 9,160,000	\$ 4,917,000	\$ 14,077,000
2020	8,280,000	4,459,000	12,739,000
2021	8,710,000	4,045,000	12,755,000
2022	9,165,000	3,609,500	12,774,500
2023	9,640,000	3,151,250	12,791,250
2024 – 2028	53,385,000	8,011,500	61,396,500
Total	<u>\$ 98,340,000</u>	<u>\$ 28,193,250</u>	<u>\$ 126,533,250</u>

This debt will be retired from the General Obligation Bonds Series 2015A Refunding Debt Service Fund.

2. Special obligation bonds, Series 2015B issued on November 10, 2015:

Year Ending June 30	Principal	Interest	Total
2019	\$ 2,805,000	\$ 239,297	\$ 3,044,297
2020	2,905,000	171,787	3,076,787
2021	3,000,000	75,000	3,075,000
Total	<u>\$ 8,710,000</u>	<u>\$ 486,084</u>	<u>\$ 9,196,084</u>

This debt will be retired from the General Obligation Bonds Series 2015B Refunding Debt Service Fund.

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

Total special obligation bonds payments for all issues:

Year Ending June 30	Principal	Interest	Total
2019	\$ 11,965,000	\$ 5,156,297	\$ 17,121,297
2020	11,185,000	4,630,787	15,815,787
2021	11,710,000	4,120,000	15,830,000
2022	9,165,000	3,609,500	12,774,500
2023	9,640,000	3,151,250	12,791,250
2024 – 2028	53,385,000	8,011,500	61,396,500
Total	\$ 107,050,000	\$ 28,679,334	\$ 135,729,334

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, Series 2012B	4.37%	1/15/2013	10/1/2023	\$ 15,100,000	\$ 13,750,000
2. Limited tax notes, Series 2017	2.31%	8/18/2017	8/18/2028	2,500,000	2,500,000
Total				\$ 17,600,000	\$ 16,250,000

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

- Limited tax notes refunding, Series 2012B issued on January 15, 2013:

Year Ending June 30	Principal	Interest	Total
2019	\$ 635,000	\$ 586,734	\$ 1,221,734
2020	635,000	559,016	1,194,016
2021	660,000	530,719	1,190,719
2022	3,770,000	433,937	4,203,937
2023	3,935,000	265,640	4,200,640
2024	4,115,000	89,844	4,204,844
Total	\$ 13,750,000	\$ 2,465,890	\$ 16,215,890

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

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

2. Limited tax notes, Series 2017 issued on August 18, 2017:

Year Ending June 30	Principal	Interest	Total
2019	\$ 180,000	\$ 55,671	\$ 235,671
2020	185,000	51,455	236,455
2021	195,000	47,066	242,066
2022	205,000	42,446	247,446
2023	215,000	37,595	252,595
2024 – 2028	1,235,000	106,895	1,341,895
2029	285,000	3,292	288,292
Total	\$ 2,500,000	\$ 344,420	\$ 2,844,420

This debt will be retired from the Limited Tax Note 2017A Debt Service Fund.

Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2019	\$ 815,000	\$ 642,405	\$ 1,457,405
2020	820,000	610,471	1,430,471
2021	855,000	577,785	1,432,785
2022	3,975,000	476,383	4,451,383
2023	4,150,000	303,235	4,453,235
2024 – 2028	5,350,000	196,739	5,546,739
2029	285,000	3,292	288,292
Total	\$ 16,250,000	\$ 2,810,310	\$ 19,060,310

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. Buses at a cost of \$1,238,460
2. Transportation equipment and food service equipment at a cost of \$3,999,791
3. Buses at a cost of \$3,973,617

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Buses	4.99%	6/13/2011	8/31/2020	\$ 1,238,460	\$ 381,820
2. Transportation/food service equipment	4.37%	9/19/2013	10/10/2023	3,999,791	2,290,568
3. Buses	2.58%	7/26/2017	4/10/2027	3,973,617	3,593,353
Total				\$ 9,211,868	\$ 6,265,741

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

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
2019	\$ 935,651	\$ 203,246	\$ 1,138,897
2020	971,130	167,767	1,138,897
2021	905,847	130,850	1,036,697
2022	789,460	99,756	889,216
2023	771,244	72,690	843,934
2024 – 2027	1,892,409	104,441	1,996,850
Total	\$ 6,265,741	\$ 778,750	\$ 7,044,491

The capital leases for the buses will be retired from the EEF Buildings and Buses Fund (Special Revenue Fund) and the capital lease for the transportation/food service equipment will be retired from the Lunchroom Fund and EEF Buildings and Buses Fund (Special Revenue Funds).

E. Qualified school construction bonds payable

As more fully explained in Note 15, debt has been issued by the school district that qualifies as Qualified school construction bonds payable. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
QSCB, Series 2015	0.15%	8/14/2015	6/15/2027	\$ 15,400,000	\$ 15,400,000
Total				\$ 15,400,000	\$ 15,400,000

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

Year Ending June 30	Principal	Interest	Total
2019	\$ -	\$ 23,100	\$ 23,100
2020	-	23,100	23,100
2021	-	23,100	23,100
2022	-	23,100	23,100
2023	-	23,100	23,100
2024 – 2027	15,400,000	92,400	15,492,400
Total	\$ 15,400,000	\$ 207,900	\$ 15,607,900

This debt will be retired from the QSCB Series 2015 Debt Service Fund.

F. 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.

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

Note 7 – Prior Year Defeasance of Debt

In prior years, the Jackson Public School District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the district's financial statements. On June 30, 2018, \$0 of bonds outstanding are defeased.

Note 8 – Short-Term Financing

During the fiscal year ended June 30, 2018, the school district participated in the following short-term financing for the purpose of supplementing the school district's resources until tax proceeds become available:

A. Bank-financed short-term debt.

The school district issued a revenue anticipation note payable to Trustmark National 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 2018 are as follows:

Description	7/1/2017	Additions	Reductions	Balance 6/30/2018
Tax Anticipation Note, 2.38%	\$ -	\$ 20,000,000	\$ 20,000,000	\$ -
Total	<u>\$ -</u>	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ -</u>

Note 9 – 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

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2018 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2018, 2017 and 2016 were \$22,263,234, \$23,030,463 and \$23,757,819, 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, 2018, the school district reported a liability of \$378,914,640 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2018 net pension liability was 2.279406 percent, which was based on a measurement date of June 30, 2017. This was a decrease of 0.078537 percent from its proportionate share used to calculate the June 30, 2017 net pension liability, which was based on a measurement date of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$41,180,016. At June 30, 2018 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	\$ 5,631,117	\$ 2,764,832
Net difference between projected and actual earnings on pension plan investments		3,816,100
Changes of assumptions	8,697,345	667,927
Changes in proportion and differences between District contributions and proportionate share of contributions	1,052,765	10,118,180
District contributions subsequent to the measurement date	22,263,234	
Total	\$ <u>37,644,461</u>	\$ <u>17,367,039</u>

\$22,263,234 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

Year Ending June 30:	
2019	\$ 4,066,492
2020	2,198,820
2021	(931,871)
2022	(7,319,253)

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.25-18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2022, with males rates set forward one year.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	%	<u>Long-Term Expected Real Rate of Return</u>	%
U.S. Broad	27.00	%	4.60	%
International Equity	18.00		4.50	
Emerging Markets Equity	4.00		4.75	
Global	12.00		4.75	
Fixed Income	18.00		0.75	
Real Estate	10.00		3.50	
Private Equity	8.00		5.10	
Emerging Debt	2.00		2.25	
Cash	1.00		0.00	
Total	100	%		

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at the current employer contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 496,971,847	\$ 378,914,640	\$ 280,901,504

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 10 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

Plan description. State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. A trust was created June 28, 2018 for the OPEB Plan and, while no trust was in place for the June 30, 2017 plan year-end, for purposes of comparability for future periods, terminology used herein is based on the plan being a cost-sharing multiple-employer defined benefit OPEB plan. The plan does not issue a stand-alone financial report.

Benefits provided.

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare Eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$1,123,362 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$26,350,519 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2017, the District's proportion was 3.35842680 percent. This was a decrease of 0.07363518 percent from the proportionate share as of the measurement date of June 30, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$1,218,171. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$
Changes of assumptions		1,341,759
Net difference between projected and actual earnings on OPEB plan investments		
Changes in proportion and differences between District contributions and proportionate share of contributions		511,488
District contributions subsequent to the measurement date	1,123,362	
Total	\$	\$
	<u>1,123,362</u>	<u>1,853,247</u>

\$1,123,362 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:

2019	\$ (325,131)
2020	(325,131)
2021	(325,131)
2022	(325,131)
2023	(325,131)
Thereafter	(227,592)

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

Actuarial assumptions. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00 percent
Salary increases	3.25-18.50 percent, including wage inflation
Long-term Investment Rate of Return, net of OPEB plan investment expense, including inflation	N/A
Municipal Bond Index Rate	
Measurement Date	3.56 percent
Prior Measurement Date	3.01 percent
Year FNP is projected to be depleted	
Measurement Date	2017
Prior Measurement Date	2016
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.56 percent
Prior Measurement Date	3.01 percent
Health Care Cost Trends	
Medicare Supplement Claims	7.75 percent for 2017 decreasing to an ultimate rate of 5.00 percent by 2023
Pre-Medicare	

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

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

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

The plan had no assets as of the measurement date of 2017.

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.56 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.01% to 3.56%.

Since no trust was set up as of June 30, 2017, there was no projection of cash flows for the Plan and the Plan was projected to be depleted in 2017.

The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used, if necessary, for this purpose is the average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by the Bond Buyer.

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Net OPEB liability	\$ 27,046,419	\$ 26,350,519	\$ 25,832,280

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

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 24,336,470	\$ 26,350,519	\$ 28,649,765

OPEB plan fiduciary net position. The fiduciary net position for the OPEB plan was zero as of June 30, 2017, the measurement date. Therefore, no separately issued financials were prepared. Detailed information about the OPEB plan's fiduciary net position for June 30, 2018 and going forward will be available in separately issued financial reports available on the Mississippi Department of Finance and Administration's website.

Note 11 – 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
2019	\$ 1,256,132
2020	837,412
2021	813,792
2022	812,477
2023	840,587
2024 – 2028	3,837,130
2029 – 2033	2,827,450
2034 – 2038	2,298,565
2039 – 2043	998,527
Thereafter	468,750
Total	\$ 14,990,822

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

Note 12 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. To restate fund balance for the effect of recording the net OPEB liability, deferred outflows and inflows related to OPEB, and OPEB expense	\$ (26,985,595)
2. To correct cost and accumulated depreciation for items purchased in a prior year	(4,062)
3. To correct balance for obligations under capital leases for credit from leasing company	23,850
4. To correct prior year revenues and expenditures at the governmental fund level	(1,203,733)
Total	\$ (28,169,540)

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

Fund	Explanation	Amount
General Fund	To correct prior year revenue and expenditures in District Maintenance	\$ (30,588)
Other governmental funds	To correct prior year revenue in various funds and to correct prior year expenditures related primarily to ESY	(1,173,145)
Total		\$ (1,203,733)

Note 13 – Contingencies

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

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

Note 14 – 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 15 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built.

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. For the year ended June 30, 2018, the subsidy payments amounted to \$0.

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2018 was \$3,855,961. The amount accumulated in the sinking fund at the end of the seventeen-year period is expected to be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2019	\$ 1,283,000
2020	1,283,000
2021	1,283,000
2022	1,283,000
2023	1,283,000
2024 – 2027	5,136,000
Total	<u>\$ 11,551,000</u>

Note 16 - Insurance loss recoveries

The Jackson Public School District received \$35,998 in insurance loss recoveries during the fiscal year related to various damages to property. 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 17 – Effect of Deferred Amounts on Net Position

The net investment in capital assets net position amount of \$62,465,823 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 \$14,759,028 balance of deferred outflow of resources at June 30, 2018 will be recognized as an expense and will decrease the net investment in capital assets net position over the next 10 years. The \$19,210,478 balance of the deferred bond premiums at June 30, 2018, will be recognized as a decrease in an expense and will increase the net investment in capital assets net position over the next 10 years.

The unrestricted net position (deficit) amount of (\$382,735,309) 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 \$22,263,234 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, 2019. The \$15,381,227 balance of the deferred outflow of resources related to pensions at June 30, 2018 will be recognized as pension expense and will decrease the unrestricted net position amount over the next 3 years.

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

The \$17,367,039 balance of the deferred inflow of resources related to pensions at June 30, 2018 will be recognized as a reduction of pension expense and will increase the unrestricted net position amount over the next 4 years.

The unrestricted net position (deficit) amount of (\$382,735,309) includes the effect of deferred inflows/outflows of resources related to OPEB. The deferred outflow of resources related to OPEB in the amount of \$1,123,362 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Amounts reported as deferred inflows of resources totaling \$1,853,247 related to OPEB at June 30, 2018, will be recognized in OPEB expense over the next 6 years.

Note 18 - Subsequent Events

Events that occur after the Statement of Net Position/Balance Sheet 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/Balance Sheet date require disclosure in the accompanying notes. Management of the School District evaluated the activity of the School District through February 15, 2019 and determined that the following subsequent events had occurred which required disclosure in the notes to the financial statements:

Subsequent to June 30, 2018, the School District Board of Trustees adopted on July 30, 2018 a resolution establishing a citizen's oversight committee regarding its 2018 general obligation bonds in the maximum principal amount of \$65 million to pay for capital improvements throughout the district. The school bond issue election passed by 86 percent during the August 7, 2018 election. The school district's facilities and operations on October 2, 2018 issued a Request for Qualifications (RFQ) to various interested architecture and engineering firms. Subsequently 18 firms submitted RFQs and the district is in the selection process. The district appointed Dr. Erick L Greene to the position of Superintendent of School during the August 21, 2018 board meeting, and his expected start date was on October 1, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

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JACKSON PUBLIC SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 74,285,287	\$ 74,932,374	\$ 74,936,573	\$ 647,087	\$ 4,199
State sources	118,380,453	118,380,453	120,173,514	-	1,793,061
Federal sources	2,410,000	2,410,000	1,565,316	-	(844,684)
Sixteenth section sources	1,380,100	1,380,100	1,199,009	-	(181,091)
Total Revenues	196,455,840	197,102,927	197,874,412	647,087	771,485
Expenditures:					
Instruction	109,566,200	110,338,720	107,066,830	(772,520)	3,271,890
Support services	82,270,347	82,968,879	86,976,798	(698,532)	(4,007,919)
Noninstructional services	65,000	85,000	57,951	(20,000)	27,049
Sixteenth section	174,100	174,100	86,280	-	87,820
Facilities acquisition and construction	2,145,792	2,087,233	-	58,559	2,087,233
Debt service:					
Principal	21,785,700	21,763,785	-	21,915	21,763,785
Interest	92,883	182,765	155,285	(89,882)	27,480
Other	36,738	36,738	4,250	-	32,488
Total Expenditures	216,136,760	217,637,220	194,347,394	(1,500,460)	23,289,826
Excess (Deficiency) of Revenues over (under) Expenditures	(19,680,920)	(20,534,293)	3,527,018	(853,373)	24,061,311
Other Financing Sources (Uses):					
Bonds and notes issued	20,000,000	20,000,000	-	-	(20,000,000)
Capital leases issued	-	-	3,973,617	-	3,973,617
Insurance recovery	40,000	40,000	35,998	-	(4,002)
Payment to QSCB debt escrow agent	-	-	(1,259,798)	-	(1,259,798)
Sale of transportation equipment	50,000	50,000	-	-	(50,000)
Operating transfers in	9,290,000	9,313,679	2,381,006	23,679	(6,932,673)
Operating transfers out	(12,193,537)	(11,057,551)	(6,392,153)	1,135,986	4,665,398
Other financing uses	-	(535,417)	(1,102,703)	(535,417)	(567,286)
Total Other Financing Sources (Uses)	17,186,463	17,810,711	(2,364,033)	624,248	(20,174,744)
Net Change in Fund Balances	(2,494,457)	(2,723,582)	1,162,985	(229,125)	3,886,567
Fund Balances:					
July 1, 2017, as previously reported	25,544,790	25,544,790	25,544,790	-	-
Prior period adjustments	(54,308)	(54,308)	(30,588)	-	23,720
July 1, 2017, as restated	25,490,482	25,490,482	25,514,202	-	23,720
Increase (Decrease) in inventory	-	-	(24,998)	-	(24,998)
June 30, 2018	\$ 22,996,025	\$ 22,766,900	\$ 26,652,189	\$ (229,125)	\$ 3,885,289

The notes to the 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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	2.279406%	2.357943%	2.357567%	2.310335%
District's proportionate share of the net pension liability	\$ 378,914,640	421,187,498	364,433,367	280,432,367
District's covered payroll	146,225,162	150,843,295	147,287,327	141,109,054
District's proportionate share of the net pension liability as a percentage of its covered payroll	259.13%	279.22%	247.43%	198.73%
Plan fiduciary net position as a percentage of the total pension liability	61%	57%	62%	67%

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

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 22,263,234	23,030,463	23,757,819	23,197,754
Contributions in relation to the contractually required contribution	22,263,234	23,030,463	23,757,819	23,197,754
Contribution deficiency (excess)	\$ -	-	-	-
District's covered payroll	141,353,867	146,225,162	150,843,295	147,287,327
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented in FYE 6/30/2015, 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 THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
OPEB

Last 10 Fiscal Years*

	<u>2018</u>
District's proportion of the net OPEB liability	3.358427%
District's proportionate share of the net OPEB liability	\$ 26,350,519
District's covered payroll	150,884,880
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	-

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

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, 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

OPEB

Last 10 Fiscal Years

	<u>2018</u>
Contractually required contribution	\$ 1,123,362
Contributions in relation to the contractually required contribution	\$ 1,123,362
Contribution deficiency (excess)	<u>\$ -</u>
District's covered payroll	141,353,867
Contributions as a percentage of covered payroll	0.79%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No.75 was implemented in FYE 6/30/2018, 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 the Required Supplementary Information
For the Year Ended June 30, 2018

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.

Pension Schedules

(1) *Changes of assumptions*

2015:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

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

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

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

2016:

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

2017:

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

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

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

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

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2018

(2) *Changes in benefit provisions*

2016:

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

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

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2015 valuation for the June 30, 2017 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	33.9 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

OPEB Schedules

(1) *Changes of assumptions*

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

(2) *Changes in benefit provisions*

2017: None

(3) *Methods and assumptions used in calculations of Actuarially Determined Contributions.* The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2016 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2017:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	3 percent
Salary increases, including wage inflation	3.25 percent to 18.50 percent
Initial health care cost trend rates	
Medicare Supplement Claims	7.75 percent
Pre-Medicare	

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2018

Ultimate health care cost trend rates	
Medicare Supplement Claims	5.00 percent
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2022
Pre-Medicare	
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56 percent

SUPPLEMENTARY INFORMATION

JACKSON PUBLIC SCHOOL DISTRICT

Supplementary Information

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	185MS326N1099	\$ 4,507,836
National school lunch program	10.555	185MS326N1099	13,970,876
Summer Food Service Program for Children	10.559	185MS326N1099	233,460
Total Child Nutrition Cluster			<u>18,712,172</u>
Team Nutrition Grant	10.574	185MS340N1050	228,000
School Fruits & Vegetables	10.582	185MS326L1603	461,276
Total passed-through Mississippi Department of Education			<u>19,401,448</u>
Total U.S. Department of Agriculture			<u>19,401,448</u>
<u>U.S. Department of Defense</u>			
Direct Program:			
Reserve Officers' Training Corps	12.xxx	N/A	811,800
Total U.S. Department of Defense			<u>811,800</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	N/A	1,172,313
Total Federal Communications Commission			<u>1,172,313</u>
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Adult Education - Basic Grants to States	84.002	V002A170025	281,488
Career and Technical Education - Basic Grants to States	84.048	V048A170024	140,211
Rehabilitation Service	84.126	H126A180034	8,224
Education for Homeless Children and Youth	84.196	ES196A170025	189,073
English Language acquisition grants	85.365	ES365A170024	34,665
Improving Teachers Quality grant	84.367	ES367A170023	2,480,883
Subtotal			<u>3,134,544</u>
Title I Cluster:			
Title I Grants to Local Educational Agencies	84.010	ES010A170024	14,751,091
Title IV - Student Support and Academic Enrichment	84.424	ES424A170025	69,793
Title VI - State Assessment grants to local educational agencies	84.369	ES010A170024	607,113
Total Title I Cluster			<u>15,427,997</u>
Special education cluster:			
Special education - grants to states	84.027	H027A170108	6,026,371
Special education - preschool grants	84.173	H173A170113	171,922
Total special education cluster			<u>6,198,293</u>
Total passed-through Mississippi Department of Education			<u>24,760,834</u>
Total U.S. Department of Education			<u>24,760,834</u>
<u>U.S. Department of Health and Human Services</u>			
Passed-through Mississippi Department of Education:			
Medical assistance program	93.778	1805MS5ADM	230,946
Total passed-through Mississippi Department of Education			<u>230,946</u>
Total U.S. Department of Health and Human Services			<u>230,946</u>
<u>U.S. Department of Justice</u>			
Direct Program:			
RAND Corporation:			
National Institute of Justice Research, Evaluation and Development Project Grant	16.560	N/A	1,001,510
Total U.S. Department of Justice			<u>1,001,510</u>
Total for All Federal Awards			<u>\$ 47,378,851</u>

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

JACKSON PUBLIC SCHOOL DISTRICT
Notes to the Supplementary Information
For the Year Ended June 30, 2018

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Jackson Public School District under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Jackson Public School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Jackson Public School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) Indirect Cost Rate

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

JACKSON PUBLIC SCHOOL DISTRICT
Supplementary Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2018

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 194,243,268	136,726,380	8,851,981	15,849,348	32,815,559
Other	<u>78,822,162</u>	<u>16,127,218</u>	<u>1,733,647</u>	<u>81,269</u>	<u>60,880,028</u>
Total	<u>\$ 273,065,430</u>	<u>152,853,598</u>	<u>10,585,628</u>	<u>15,930,617</u>	<u>93,695,587</u>
Total number of students *	<u>21,833</u>				
Cost per student	<u>\$ 12,507</u>	<u>7,001</u>	<u>485</u>	<u>730</u>	<u>4,291</u>

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

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

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

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

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

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

OTHER INFORMATION

JACKSON PUBLIC SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2018	2017*	2016*	2015*
Revenues:				
Local sources	\$ 74,936,573	\$ 75,840,472	\$ 76,107,244	\$ 76,391,404
State sources	120,173,514	126,597,679	129,412,160	123,805,217
Federal sources	1,565,316	1,321,008	310,155	1,519,916
Sixteenth section sources	1,199,009	1,319,315	1,378,780	1,343,944
Total Revenues	197,874,412	205,078,474	207,208,339	203,060,481
Expenditures:				
Instruction	107,066,830	110,672,255	117,464,534	116,123,384
Support services	86,976,798	84,710,391	81,016,320	81,069,230
Noninstructional services	57,951	44,379	27,460	82
Sixteenth section	86,280	61,371	77,224	94,271
Debt service:				
Principal	-	-	253,065	492,458
Interest	155,285	73,058	71,751	78,241
Other	4,250	5,000	47,771	-
Total Expenditures	194,347,394	195,566,454	198,958,125	197,857,666
Excess (Deficiency) of Revenues over (under) Expenditures	3,527,018	9,512,020	8,250,214	5,202,815
Other Financing Sources (Uses):				
Insurance loss recovery	35,998	39,576	17,839	162,542
Capital leases issued	3,973,617	-	-	-
Payment to QZAB/QSCB debt escrow agent	(1,259,798)	(1,282,259)	(1,283,000)	-
Sales of Transportation Equipment	-	26,400	-	-
Sales of other property	-	-	-	8,600
Operating transfers in	2,381,006	1,093,743	3,485,806	687,134
Operating transfers out	(6,392,153)	(4,738,835)	(4,210,446)	(5,235,565)
Other Financing uses	(1,102,703)	(538,360)	-	-
Total Other Financing Sources (Uses)	(2,364,033)	(5,399,735)	(1,989,801)	(4,377,289)
Net Change in Fund Balances	1,162,985	4,112,285	6,260,413	825,526
Fund Balances:				
Beginning of period, as previously reported	25,544,790	21,471,707	15,191,789	14,031,932
Funds Reclassification	-	-	-	324,223
Prior period adjustments	(30,588)	(68,660)	-	(969)
Beginning of period, as restated	25,514,202	21,403,047	15,191,789	14,355,186
Increase (Decrease) in reserve for inventory	(24,998)	29,458	19,505	11,077
End of Period	\$ 26,652,189	\$ 25,544,790	\$ 21,471,707	\$ 15,191,789

*SOURCE - PRIOR YEAR AUDIT REPORTS

JACKSON PUBLIC SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2018	2017*	2016*	2015*
Revenues:				
Local sources	\$ 97,655,122	\$ 99,003,892	\$ 96,193,710	\$ 95,408,797
State sources	126,583,937	132,834,823	137,488,022	133,007,521
Federal sources	47,378,851	51,333,197	50,480,946	50,647,538
Sixteenth section sources	1,199,009	1,319,315	1,378,780	1,343,944
Total Revenues	272,816,919	284,491,227	285,541,458	280,407,800
Expenditures:				
Instruction	126,127,396	131,530,845	138,343,161	136,464,355
Support services	105,039,621	107,503,287	101,701,159	105,779,118
Noninstructional services	18,115,126	19,611,904	20,021,064	19,430,964
Sixteenth section	86,280	61,371	77,224	94,271
Facilities acquisition and construction	1,309,006	5,083,380	8,307,586	1,966,884
Debt service:				
Principal	14,682,501	13,587,179	7,357,379	13,054,904
Interest	7,645,382	8,169,123	7,967,936	9,541,965
Other	60,118	20,510	1,557,617	13,760
Total Expenditures	273,065,430	285,567,599	285,333,126	286,346,221
Excess (Deficiency) of Revenues over (under) Expenditures	(248,511)	(1,076,372)	208,332	(5,938,421)
Other Financing Sources (Uses):				
Bonds and notes issued	2,500,000	-	15,400,000	-
Capital leases issued	3,973,617	-	-	-
Insurance loss recovery	35,998	8,639,576	5,657,114	768,724
Refunding bonds issued	-	-	118,070,000	-
Payments held by escrow agent	1,259,798	1,282,259	1,283,000	-
Premiums on bonds and refunding bonds issued	-	-	17,907,049	-
Payment to refunded bond escrow agent	-	-	(134,665,718)	-
Payment to QZAB/QSCB debt escrow agent	(1,259,798)	(1,282,259)	(1,283,000)	-
Sale of transportation equipment	-	26,400	-	-
Sale of other property	-	10,400	-	8,600
Operating transfers in	12,336,597	5,906,796	10,998,901	6,026,146
Operating transfers out	(12,336,597)	(5,906,796)	(10,998,901)	(6,026,146)
Other financing uses	(1,105,160)	(538,360)	-	-
Total Other Financing Sources (Uses)	5,404,455	8,138,016	22,368,445	777,324
Net Change in Fund Balances	5,155,944	7,061,644	22,576,777	(5,161,097)
Fund Balances:				
Beginning of period, as previously reported	62,895,485	56,018,722	33,836,335	39,056,202
Prior period adjustments	(1,203,733)	(175,040)	(500,192)	(65,420)
Beginning of period, as restated	61,691,752	55,843,682	33,336,143	38,990,782
Increase (Decrease) in reserve for inventory	59,865	(9,841)	105,802	6,650
End of Period	\$ 66,907,561	\$ 62,895,485	\$ 56,018,722	\$ 33,836,335

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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246 Briarwood Drive, Suite 102
Jackson, MS 39206
p. 662-582-1825

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, 2018, 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 February 15, 2019.

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.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

JD CPA, PLLC

Jackson, Mississippi
February 15, 2019



246 Briarwood Drive, Suite 102
Jackson, MS 39206
p. 662-582-1825

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

Superintendent and School Board
Jackson Public School District

Report on Compliance for Each Major Federal Program

We have audited Jackson Public School District compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Jackson Public School District's major federal programs for the year ended June 30, 2018. Jackson Public School District's major federal programs are identified in the summary of independent auditors' results section of the accompanying summary schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Jackson Public School District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above 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 its major federal programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item **2018-001**. Our opinion on each major federal program is not modified with respect to this matter.

The Jackson Public School District's response to the noncompliance findings identified in our audit is described in the accompanying Auditee's Corrective Action Plan. The Jackson Public School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and Questioned Costs as Finding **2018-001** that we considered to be a significant deficiency.

The Jackson Public School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. The Jackson Public School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

JD CPA, PLLC

Jackson, Mississippi
February 15, 2019

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

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246 Briarwood Drive, Suite 102
Jackson, MS 39206
p. 662-582-1825

INDEPENDENT AUDITORS' 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, 2018, which collectively comprise Jackson Public School District's basic financial statements and have issued our report thereon dated February 15, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

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

JD CPA, PLLC

Jackson, Mississippi
February 15, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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JACKSON PUBLIC SCHOOL DISTRICT
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2018

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | |
|-----|--|---|
| 4. | Internal control over major programs: | |
| | a. Material weakness(es) identified? (Yes/No) | No |
| | b. Significant deficiency(ies) identified? (Yes/None reported) | Yes |
| 5. | Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? (Yes/No) | Yes |
| 7. | Identification of major programs: | |
| | <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
| | 10.553; 10.555; 10.559 | Child Nutrition Cluster |
| | 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: | \$1,421,366 |
| 9. | Auditee qualified as low-risk auditee? (Yes/No) | No |
| 10. | Prior fiscal year audit findings(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). (Yes/No) | No |

JACKSON PUBLIC SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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

Finding 2018-001 Special Reporting

Federal Program Information:

U.S. Department of Education:

Program CFDA Numbers: 10.553; 10.555; 10.559

Program Title: Child Nutrition Cluster

Federal Award Year: June 30, 2018

Federal Agency: United States Department of Education

Pass-Through Entity: Mississippi Department of Education

Criteria: In accordance with 7 CFR § 210.5(d)-.13 – Report of School Program Operations for claims reimbursement of meals served. Management is responsible for complying with the requirements of the Mississippi Department of Education’s policies and procedures manual for child nutrition programs, which requires that school district’s monthly claims for reimbursement report be submitted by the tenth of the month for the previous reporting month.

Condition: Monthly claims for reimbursement are not being submitted in a timely fashion.

Cause: The cause of the condition is due to lack of adequate internal controls regarding the timely reporting and submission of monthly claim for reimbursement.

Effects: The effect is non-compliance with federal requirements.

Questioned Cost: None

Perspective: This finding is an isolated instance, which is prevalent and will result in the auditee being considered not a low-risk auditee in future audit period.

Number of years finding reported: One (1) 2018

Recommendation: We recommend that the School District strengthen its internal control systems over reporting and submitting its monthly claims for reimbursement to ensure claims are submitted within established reporting deadline.

View of Responsible Official: The management agrees with this finding and will adhere to the correction action plan in this audit report.

AUDITEE'S CORRECTIVE ACTION PLAN



Jackson Public School District
Post Office Box 2338
Jackson, MS 39225-2338
Dr. Errick L Greene – Superintendent
Sharolyn Miller, Chief Financial Officer

AUDITEE'S CORRECTIVE ACTION PLAN

As required by 2 CFR 200.511 (a), the 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 Cost for the year ended June 30, 2018.

Finding 2018-001

Corrective Action Plan

A. Contact person responsible for corrective action:

Name: Mary Hill

Title: Executive Director of Food Service

B. Description of corrective action planned:

The district has implemented and strengthened its internal control systems over reporting and submitting its monthly claims for reimbursement to ensure claims are submitted within established reporting deadline.

C. Anticipated completion date of corrective action:

March 30, 2019

Truly,

A handwritten signature in blue ink, appearing to read "Sharolyn Miller", written over a horizontal line.

Chief Financial Officer

A handwritten signature in blue ink, appearing to read "Dr. Errick L. Greene", written over a horizontal line.

Superintendent
Jackson Public School District