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**Jackson County, Mississippi**

Audited Financial Statements and Special Reports  
For the Year Ended September 30, 2016

**Fortenberry & Ballard, PC**  
Certified Public Accountants

**Jackson County, Mississippi**  
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## **Jackson County Location in Mississippi**



Jackson County is located at the southeastern tip of the state, bordering Alabama on its east side. Jackson County was founded in 1812 and named after Andrew Jackson, general in the United States Army and afterward President of the United States. Jackson County covers 1,043 miles, of which 723 square miles is land and 321 square miles is water. Jackson County's population is 139,668 per the 2010 U.S. Census.

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## FINANCIAL REPORT

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors  
Jackson County, Mississippi

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Jackson County, Mississippi (the County) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government 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 did not audit the financial statements of Singing River Health / Mental Retardation Services, Singing River Health System, West Jackson County Utility District, Jackson County Emergency Communications District, Jackson County Port Authority and Jackson-George Regional Library System, which are discretely component units and represent 1%, 63%, 10%, 1%, 24%, and 1%, respectively, of the assets, 11%, 248%, (25)%, (5)%, (134)% and 5%, respectively, of the net position, and 1.90%, 90.55%, 2.22%, .039%, 4.66% and .28%, respectively, of the revenues of the discretely component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these entities, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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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, based on our audit and the reports of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Jackson County, Mississippi, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows 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 Schedules, the Schedule of the County's Proportionate Share of the Net Pension Liability, the Schedule of the County's Contributions, the Schedule of Funding Progress - Other Postemployment Benefits, 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 and the other auditors 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.

### *Omission of Required Supplementary Information*

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jackson County, Mississippi'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, and Component Units - Combining Statements 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 and Component Units - Combining Statements 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the accompanying Schedule of Expenditures of Federal Awards and the Component Units - Combining Statements are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Surety Bonds for County Officials 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 August 10, 2017, on our consideration of the Jackson County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and

the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jackson County, Mississippi's internal control over financial reporting and compliance.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC  
August 10, 2017

Certified Public Accountants

## FINANCIAL STATEMENTS

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
<b>Assets</b>				
Cash and cash equivalents	\$ 76,387,211		\$ 76,387,211	77,055,205
Investments				9,992,217
Restricted assets - cash	4,000,000	149,371	4,149,371	24,534,789
Deposits				30
Grants receivable				212,058
Intergovernmental receivables	1,870,635		1,870,635	
Receivables, net of allowance				39,629,604
Other receivables	39,269		39,269	1,577,792
Due from third-party payors				1,373,592
Property tax receivable	78,005,474		78,005,474	
Fines receivable, net	4,512,338		4,512,338	
Loans receivable, net	4,622		4,622	
Inventories and prepaid items	686,662		686,662	7,524,744
Restricted assets - investments	1,028,540		1,028,540	
Trusted bond funds				9,942,926
Held for trustees for self-insurance funding				3,603,539
Held by trustees for pension funding				5,200,100
Investment in surgery centers				4,475,659
Internal Balances	18,562	(18,562)		
Capital assets:				
Land and construction in progress	29,631,599	275,607	29,907,206	33,204,288
Other capital assets, net of depreciation	206,279,050	3,455,984	209,735,034	274,727,153
Other assets				1,480,867
Total Assets	402,463,962	3,862,400	406,326,362	494,534,563
<b>Deferred Outflows of Resources</b>				
Deferred outflows related to pension	17,141,870	261,007	17,402,877	41,898,869
Deferred amount on refunding	314,129		314,129	2,330,491
Total Deferred Outflows of Resources	17,455,999	261,007	17,717,006	44,229,360
<b>Liabilities</b>				
Accounts payable				20,215,644
Claims payable	4,485,748	19,603	4,505,351	
Intergovernmental payables	2,784,522		2,784,522	
Payroll liabilities				17,657,292
Accrued liabilities				1,671,337
Accrued interest payable	303,762		303,762	1,362
Unearned revenues				10,541,876
Customer deposits				581,467
Long-term liabilities				
Other postemployment benefits payable	1,976,522		1,976,522	
Due within one year:				
Capital debt	5,273,842		5,273,842	8,776,043
Non-capital debt			-	552,122
Due in more than one year:				
Capital debt	30,563,824		30,563,824	149,415,640
Non-capital debt	1,776,971	40,854	1,817,825	9,466,425
Net pension liability	83,342,894	1,261,215	84,604,109	361,686,302
Total Liabilities	130,508,085	1,321,672	131,829,757	580,565,510
<b>Deferred Inflows of Resources</b>				
Deferred inflows related to pension	350,394	5,373	355,767	7,937,058
Deferred revenues - property taxes	78,005,474		78,005,474	
Total Deferred Inflows of Resources	78,355,868	5,373	78,361,241	7,937,058
<b>Net Position</b>				
Net investment in capital assets	200,387,112	3,731,591	204,118,703	149,739,758
Restricted for:				
Debt service	16,294,289		16,294,289	15,998,891
Capital projects				(77,787)
Public safety	3,872,917	148,306	4,021,223	
Public works	13,374,316		13,374,316	
Health and welfare	102,961		102,961	
Culture and recreation	2,743,772		2,743,772	
Conservation of natural resources	1,746		1,746	
Unemployment compensation	11,271		11,271	15,000
Harbor maintenance				7,398,440
Other purposes	4,000,000		4,000,000	607,330
Unrestricted	(29,732,376)	(1,083,535)	(30,815,911)	(223,420,277)
Total Net Position	\$ 211,056,008	\$ 2,796,362	\$ 213,852,370	(49,738,645)

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit(s)
					Governmental Activities	Business-type Activities	Total	
<b>Primary government:</b>								
Governmental activities								
General government	\$ 28,017,737	\$ 3,912,810	\$ 403,740		\$ (23,701,187)	\$ -	\$ (23,701,187)	
Public safety	19,610,962	871,286	2,522,137	91,465	(16,126,074)		(16,126,074)	
Public works	30,212,546		2,347,235	4,933,009	(22,932,302)		(22,932,302)	
Health and welfare	2,718,725		95,013		(2,623,712)		(2,623,712)	
Culture and recreation	4,770,787		439,168		(4,331,619)		(4,331,619)	
Education	15,271				(15,271)		(15,271)	
Conservation of natural resources	2,169,696		3,940,750		1,771,054		1,771,054	
Economic development and assistance	6,329,498		42,322	986,771	(5,300,405)		(5,300,405)	
Interest on long-term debt	1,694,467				(1,694,467)		(1,694,467)	
Pension expense	11,955,127				(11,955,127)		(11,955,127)	
Total Governmental Activities	<u>107,494,816</u>	<u>4,784,096</u>	<u>9,790,365</u>	<u>6,011,245</u>	<u>(86,909,110)</u>		<u>(86,909,110)</u>	
Business-type activities:								
Adult detentioncenter canteen fund	26,459	56,553				30,094	-	
Harbor	1,714,640	234,430				(1,480,210)	-	
Golf Course	825,261	676,186				(149,075)	-	
Total Business-type Activities	<u>2,566,360</u>	<u>967,169</u>	<u>-</u>	<u>-</u>	<u></u>	<u>(1,599,191)</u>	<u>-</u>	
Total Primary Government	<u>\$ 110,061,176</u>	<u>\$ 5,751,265</u>	<u>\$ 9,790,365</u>	<u>\$ 6,011,245</u>	<u>\$ (86,909,110)</u>	<u>\$ (1,599,191)</u>	<u>\$ (88,508,301)</u>	
<b>Component units:</b>								
Singing River Health System	\$ 342,018,829	\$ 334,427,792	\$ -	\$ -				\$ (7,591,037)
Jackson County Port Authority	22,540,426	13,794,525	4,539,617					(4,206,284)
Singing River Mental Health/Mental Retardation Services	8,729,081	5,183,453	2,309,060					(1,236,568)
West Jackson County Utility District	8,301,925	8,741,160						439,235
Jackson County Emergency Communications District	1,733,396	1,522,750						(210,646)
Jackson/George Regional Library System	4,729,138	141,255	969,123					(3,618,760)
Total Component Units	<u>\$ 388,052,795</u>	<u>\$ 363,810,935</u>	<u>\$ 7,817,800</u>	<u>\$ -</u>				<u>\$ (16,424,060)</u>
General revenues								
Property taxes					82,389,714		82,389,714	285,239
Road & bridge privilege taxes					1,787,682		1,787,682	
Grants not restricted to specific programs					7,274,712		7,274,712	
Jackson County								2,825,949
State health grant								257,388
State life grant								3,379
State personnel grant								231,613
Unrestricted gifts and donations					16,572		16,572	181,541
Unrestricted interest income					668,834	864	669,698	499,082
Miscellaneous					4,743,837	17,604	4,761,441	27,428,865
Transfers					(54,056)	54,056	-	1,786,092
Total General Revenues and Transfers					<u>96,827,295</u>	<u>72,524</u>	<u>96,899,819</u>	<u>33,499,148</u>
Change in Net Position					<u>9,918,185</u>	<u>(1,526,667)</u>	<u>8,391,518</u>	<u>17,075,088</u>
Net Position - Beginning, as previously reported					198,123,245	4,309,633	202,432,878	(67,818,117)
Prior period adjustments					3,014,578	13,396	3,027,974	1,004,384
Net Position - Beginning, as restated					<u>201,137,823</u>	<u>4,323,029</u>	<u>205,460,852</u>	<u>(66,813,733)</u>
Net Position - Ending					<u>\$ 211,056,008</u>	<u>\$ 2,796,362</u>	<u>\$ 213,852,370</u>	<u>\$ (49,738,645)</u>

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

**Jackson County, Mississippi**  
Balance Sheet - Governmental Funds  
September 30, 2016

**Exhibit 3**

	<b>Major Funds</b>		Other	Total
	General	Road	Governmental	Governmental
	Fund	Fund	Funds	Funds
<b>Assets</b>				
Assets:				
Cash and cash equivalents	\$ 26,979,084	\$ 10,792,031	\$ 35,479,715	\$ 73,250,830
Restricted assets - cash	4,000,000			4,000,000
Property tax receivable	51,437,719	15,058,093	11,509,662	78,005,474
Fines receivable (net of allowance for uncollectible of \$17,461,666	4,512,338			4,512,338
Loans receivable			4,622	4,622
Intergovernmental receivables	919,792		950,843	1,870,635
Other receivables	39,269			39,269
Due from other funds	4,045,012	265,380	128,006	4,438,398
Advances to other funds	4,465,813			4,465,813
Restricted assets - investments	1,028,540			1,028,540
Total Assets	<u>\$ 97,427,567</u>	<u>\$ 26,115,504</u>	<u>\$ 48,072,848</u>	<u>\$ 171,615,919</u>
<b>Liabilities, Deferred Inflows and Fund Balances</b>				
Liabilities:				
Claims payable	\$ 1,673,252	\$ 555,815	\$ 1,913,029	\$ 4,142,096
Intergovernmental payables	2,669,509			2,669,509
Due to other funds	508,399		4,026,450	4,534,849
Advances from other funds			4,465,813	4,465,813
Total Liabilities	<u>4,851,160</u>	<u>555,815</u>	<u>10,405,292</u>	<u>15,812,267</u>
Deferred Inflows of Resources:				
Deferred revenue - property taxes	51,437,719	15,058,093	11,509,662	78,005,474
Deferred revenue - fines	4,512,338			4,512,338
Total Deferred Inflows of Resources	<u>55,950,057</u>	<u>15,058,093</u>	<u>11,509,662</u>	<u>82,517,812</u>
Fund Balances:				
Nonspendable				
Advances	4,465,813			4,465,813
Loans receivable			4,622	4,622
Restricted for:				
Debt service			16,598,051	16,598,051
Public safety			3,872,917	3,872,917
Public works		10,501,596	2,872,720	13,374,316
Health and welfare			102,961	102,961
Culture and recreation			2,743,772	2,743,772
Conservation of natural resources			1,746	1,746
Tort claims	1,028,540			1,028,540
Unemployment compensation			11,271	11,271
Committed to:				
Trust agreement	4,000,000			4,000,000
Unassigned	27,131,997		(50,166)	27,081,831
Total Fund Balances	<u>36,626,350</u>	<u>10,501,596</u>	<u>26,157,894</u>	<u>73,285,840</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 97,427,567</u>	<u>\$ 26,115,504</u>	<u>\$ 48,072,848</u>	<u>\$ 171,615,919</u>

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

**Jackson County, Mississippi****Exhibit 3-1**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
September 30, 2016

**Total fund balances for governmental funds** \$ 73,285,840

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

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the funds. 235,910,649

Other long-term assets are not available to pay current period expenditures  
and therefore are not reported in the funds 4,512,338

Deferred outflows of resources related to pension reported in governmental  
activities is not a financial resource and therefore is not reported  
in the funds. 17,141,870

Deferred amount on refunding of debt reported as deferred outflows of resources  
in governmental activities is not a financial resource and therefore is not  
reported in the funds. 314,129

Prepaid items, such as prepaid insurance, are accounted for as expenditures in the  
period of acquisition and, therefore, are not reported in the funds. 686,662

Long-term liabilities and related accrued interest are not due and payable  
in the current period and therefore are not reported in the funds (121,261,293)

Other postemployment benefits are not due and payable in the current period and  
therefore are not reported in the funds. (1,976,522)

Deferred inflows of resources related to pension are not due and payable  
in the current period and therefore are not reported in the funds. (350,394)

Internal Service Funds are used by management to charge the costs of insurance  
to individual funds. The assets and liabilities of the Internal Service Funds are  
included in governmental activities in the statement of net position. 2,792,729

**Net position of governmental activities** \$ 211,056,008

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



**Jackson County, Mississippi****Exhibit 4**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2016

	<b>Major Funds</b>		Other	
	General	Road	Governmental	Total
	Fund	Fund	Funds	
<b>Revenues</b>				
Property taxes	\$ 51,431,157	\$ 15,352,858	\$ 15,605,699	\$ 82,389,714
Road and bridge privilege taxes		1,787,682		1,787,682
Licenses, commissions, and other revenues	2,191,911			2,191,911
Fines and forfeitures	1,381,120		317,866	1,698,986
Intergovernmental revenues	5,311,426	5,400,982	12,380,486	23,092,894
Charges for services	805,108			805,108
Interest income	448,420	58,193	144,184	650,797
Miscellaneous revenues	1,687,072	156,626	2,295,501	4,139,199
Total Revenues	<u>63,256,214</u>	<u>22,756,341</u>	<u>30,743,736</u>	<u>116,756,291</u>
<b>Expenditures</b>				
Current:				
General government	26,486,198		557,256	27,043,454
Public safety	16,623,283		6,566,394	23,189,677
Public works	2,900,576	21,535,261	13,145,270	37,581,107
Health and welfare	2,575,003		56,872	2,631,875
Culture and recreation	3,687,743		2,321,117	6,008,860
Education	15,271			15,271
Conservation of natural resources	300,742		1,885,275	2,186,017
Economic development and assistance	1,922,465		4,582,282	6,504,747
Debt service:				
Principal	1,120,000		3,236,625	4,356,625
Interest and other fiscal charges	1,131,969		426,419	1,558,388
Total Expenditures	<u>56,763,250</u>	<u>21,535,261</u>	<u>32,777,510</u>	<u>111,076,021</u>
Excess (Deficiency) of Revenues over (under)				
Expenditures	<u>6,492,964</u>	<u>1,221,080</u>	<u>(2,033,774)</u>	<u>5,680,270</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from debt			1,945,267	1,945,267
Proceeds from sale of capital assets	60,107	7,346	57,521	124,974
Compensation for loss of capital assets	20,436		14,441	34,877
Transfers in	720,218	1,500,000	1,555,361	3,775,579
Transfers out	(1,509,417)		(2,320,218)	(3,829,635)
Net Other Financing Sources (Uses)	<u>(708,656)</u>	<u>1,507,346</u>	<u>1,252,372</u>	<u>2,051,062</u>
Net Change in Fund Balances	<u>5,784,308</u>	<u>2,728,426</u>	<u>(781,402)</u>	<u>7,731,332</u>
Fund Balances - Beginning, as previously reported	29,573,088	7,549,529	27,005,241	64,127,858
Prior period adjustments	1,268,954	223,641	(65,945)	1,426,650
Fund Balances - Beginning, as restated	<u>30,842,042</u>	<u>7,773,170</u>	<u>26,939,296</u>	<u>65,554,508</u>
Fund Balances - Ending	<u>\$ 36,626,350</u>	<u>\$ 10,501,596</u>	<u>\$ 26,157,894</u>	<u>\$ 73,285,840</u>

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

**Jackson County, Mississippi****Exhibit 4-1**

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

**Net change in fund balances - total governmental funds** \$ 7,731,332

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays \$16,929,527 exceeded depreciation expense of \$9,618,085. 7,311,442

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net income of the internal service funds is reported with governmental activities. 108,954

In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss of \$338,389 less the proceeds from the sale of \$124,974 in the current period. (213,415)

Fine revenue recognized on the modified accrual basis in the funds during the current year is increased because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting. 88,091

Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long term liabilities in the Statement of Ent Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$4,356,625 exceed the debt proceeds of \$1,945,267. 2,411,358

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

Recording of pension expense for the current period	(11,955,127)
Recording retirement contributions made during the fiscal year:	
Before the measurement date	3,642,866
Subsequent to the measurement date	1,267,473

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	(7,719)
Increase in other post employment benefits payable	(277,842)
Decrease in accrued interest payable	31,255
Decrease in prepaid	(53,149)
Amortization of premiums	289
Amortization of bond discount	(8,574)
Amortization of deferred amount on refunding	(159,049)

**Change in net position of governmental activities** \$ 9,918,185

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

**Jackson County, Mississippi**  
Statement of Net Position - Proprietary Funds  
September 30, 2016

**Exhibit 5**

	<b>Business-type Activities Enterprise Funds</b>	<b>Governmental Activities</b>
	<b>Nonmajor Fund</b>	<b>Internal Service Fund</b>
<b>Assets</b>		
Current assets:		
Cash	\$ -	\$ 3,136,381
Restricted Cash	149,371	
Total Current Assets	149,371	3,136,381
Noncurrent assets:		
Capital assets:		
Land and construction in progress	275,607	
Other capital assets, net	3,455,984	
Total Noncurrent Assets	3,731,591	-
Total Assets	3,880,962	3,136,381
<b>Deferred Outflows of Resources</b>		
Deferred outflows related to pension	261,007	
Total Deferred Outflows of Resources	261,007	-
<b>Liabilities</b>		
Current liabilities:		
Claims payable	19,603	343,652
Due to other funds	18,562	
Total Current Liabilities	38,165	-
Noncurrent liabilities:		
Non-capital debt:		
Compensated absences payable	40,854	
Net Pension Liability	1,261,215	
Total Noncurrent Liabilities	1,302,069	-
Total Liabilities	1,340,234	-
<b>Deferred Inflows of Resources</b>		
Deferred inflows related to pension	5,373	
Total Deferred Inflows of Resources	5,373	-
<b>Net Position</b>		
Net investment in capital assets	3,731,591	-
Restricted for:		
Inmate canteen supplies	148,306	
Unrestricted	(1,083,535)	2,792,729
Total Net Position	\$ 2,796,362	\$ 2,792,729

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

**Jackson County, Mississippi****Exhibit 6**

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds  
For the Year Ended September 30, 2016

	<b>Business-type Activities - Enterprise Funds</b>	<b>Governmental Activities</b>
	<b>Nonmajor Fund</b>	<b>Internal Service Fund</b>
<b>Operating Revenues</b>		
Sales and Charges for services	\$ 967,169	\$ -
Premiums		8,652,303
Miscellaneous	21,804	386,832
Total Operating Revenues	988,973	9,039,135
<b>Operating Expenses</b>		
Personal services	783,947	
Contractual services	159,032	
Materials and supplies	116,968	
Depreciation expense	1,506,413	
Claims payments		6,375,021
Administrative		1,960,725
Insurance premiums		612,472
Total Operating Expenses	2,566,360	8,948,218
Operating Income (Loss)	(1,577,387)	90,917
<b>Nonoperating Revenues</b>		
Interest income	864	18,037
Loss on sale of capital assets	(4,200)	
Total Nonoperating Revenues	(3,336)	18,037
Net Income (Loss) Before Transfers	(1,580,723)	108,954
Transfers In	54,056	
Change in Net Position	(1,526,667)	108,954
Net Position - Beginning, as previously reported	4,309,633	2,683,775
Prior period adjustments	13,396	
Net Position - Beginning, as restated	4,323,029	2,683,775
Net Position - Ending	\$ 2,796,362	\$ 2,792,729

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

**Jackson County, Mississippi**  
Statement of Cash Flows - Proprietary Funds  
For the Year Ended September 30, 2016

**Exhibit 7**

	<b>Business-type Activities - Enterprise Funds</b>	<b>Governmental Activities</b>
	<b>Nonmajor Funds</b>	<b>Internal Service Fund</b>
<b>Cash Flows From Operating Activities</b>		
Cash receipts from customers	\$ 967,169	\$ -
Cash receipts/premiums from customers		8,652,303
Cash payments to employees for services	(701,030)	(6,555,269)
Cash payments for claims and benefits	(283,536)	(2,255,828)
Other operating cash receipts	21,804	386,832
Net Cash Provided by (Used for) Operating Activities	4,407	228,038
<b>Cash Flows From Noncapital Financing Activities</b>		
Transfers in	54,056	-
Cash received from other funds:		
Loans from other funds	18,562	
Net Cash Provided by (Used for) Noncapital Financing Activities	72,618	-
<b>Cash Flows From Capital and Related Financing Activities</b>		
Acquisition and construction of capital assets	(97,672)	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	(97,672)	-
<b>Cash Flows From Investing Activities</b>		
Investment income	864	18,037
Net Cash Provided by (Used for) Investment Activities	864	18,037
Net Change in Cash and Cash Equivalents	(19,783)	246,075
Cash and Cash Equivalents - Beginning	169,154	2,890,306
Cash and Cash Equivalents - Ending	\$ 149,371	\$ 3,136,381
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>		
Operating income (loss)	\$ (1,577,387)	\$ 90,917
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	1,506,413	-
Change in assets, liabilities, deferred outflows of resources and deferred inflows of resources:		
Increase (decrease) Deferred outflow related to pension	(72,231)	-
Increase (decrease) Claims payable	(31,180)	137,121
Increase (decrease) Net pension liability	180,912	-
Increase (decrease) Compensated absences payable	(4,426)	-
Increase (decrease) Deferred inflow - Pensions	2,306	-
Total adjustments	1,581,794	137,121
Net Cash Provided by (Used for) Operating Activities	\$ 4,407	\$ 228,038

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

**Jackson County, Mississippi**  
Statement of Fiduciary Assets and Liabilities  
September 30, 2016

**Exhibit 8**

	<b>Agency Funds</b>
<b>Assets</b>	
Cash	\$ 1,845,130
Due from other funds	115,013
Total Assets	<u>\$ 1,960,143</u>
<b>Liabilities</b>	
Intergovernmental payables	1,960,143
Total Liabilities	<u>\$ 1,960,143</u>

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

**Jackson County, Mississippi**

Notes to the Financial Statements  
For the year ended September 30, 2016

# **JACKSON COUNTY, MISSISSIPPI**

## **Notes to the Financial Statements For the Year Ended September 30, 2016**

### **Note 1 – Summary of Significant Accounting Policies**

#### **A. Financial Reporting Entity**

Jackson County, Mississippi (the County) is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Jackson County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County.

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the County legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor
- Tax Collector
- Sheriff

#### **B. Individual Component Unit Disclosures**

##### **Discretely Presented Component Units**

The component units' column in the financial statements include the financial data of the following component units of the County. They are reported in a separate column to emphasize that they are legally separate from the County. A majority of the members of the governing bodies of these component units are appointed by the County Board of Supervisors.

- Singing River Mental Health / Mental Retardation Services
- Jackson County Port Authority
- Singing River Health System
- West Jackson County Utility District
- Jackson County Emergency Communications District
- Jackson-George Regional Library System

Singing River Mental Health / Mental Retardation Services ("The Agency") established by Section 41-19-31, Miss. Code Ann. (1972) authorizes the Agency to establish facilities within which to operate and maintain programs to serve the mentally ill and mentally retarded patients in Jackson County and George County. The Agency is governed by a two-member Board of Commissioners with each county Board of Supervisors appointing one member. Each of these Commissioners sits



## **JACKSON COUNTY, MISSISSIPPI**

### **Notes to the Financial Statements For the Year Ended September 30, 2016**

on the fifteen-member Board of Directors for the Agency which manages the day-to-day operations of the Agency.

Singing River Health System (“The Public Hospital”) established by Section 41-13-15, Miss. Code Ann. (1972) authorizes the Public Hospital to provide for the establishment, maintenance and operation of health facilities to serve community health needs in Jackson County. Facilities operated by the Public Hospital include: 1) Singing River Hospital, 2) Ocean Springs Hospital, 3) Singing River Medical Park and Ocean Springs Medical Park, 4) the Neuroscience Center, 5) the Regional Cancer Center and 6) five primary care clinics throughout the County. The Public Hospital is governed by a nine-member Board of Trustees with Jackson County appointing seven members.

Jackson County Port Authority (“The Port Authority”) was established in 1956 under Chapter 199 of the Laws of the State of Mississippi. The Port Authority was provided exclusive jurisdiction over improvements resulting from the acts (harbors, waters, vessels, etc.) for the purpose of importing and exporting under a tariff approved by the Federal Maritime Commission. The Port Authority is also charged with the operations of an industrial water supply, a water pollution control system and a water cooling lake. Jackson County appoints five members to the nine-member Port Commission with the remaining members appointed by the Governor of Mississippi.

West Jackson County Utility District (“The District”) was created in 1974 by the Jackson County Board of Supervisors under the provisions of Senate Bill 2251, under the Laws of the State of Mississippi 1966. The District provides water and sewer collection services to user customers in the unincorporated areas of Western Jackson County. The District is governed by a five-member Board of Commissioners appointed by the Jackson County Board of Supervisors.

Jackson-George Regional Library System (“The Library System”) was created by contract between the Jackson County Board of Supervisors and the George County Board of Supervisors under Section 39-3-9, Miss. Code Ann. (1972). Eight library facilities are maintained that provide services to the residents of both counties. The Library System is governed by a regional Board of Trustees with appointees made by each county’s Board of Supervisors.

Jackson County Emergency Communications District (“The District”) was established by Section 19-5-305, Miss. Code Ann. (1972) to provide E-911 services to Jackson County residents. The seven-member Board of Commissioners is appointed entirely by the Jackson County Board of Supervisors.

Certified public accounting firms other than the primary government auditor prepare audited financial statement information for each discretely-presented component unit listed above and provided to the County as the primary government. Financial information may be obtained from the Jackson County Chancery Clerk’s office at Post Office Box 998, Pascagoula, Mississippi 39568-0998.

## **JACKSON COUNTY, MISSISSIPPI**

### **Notes to the Financial Statements For the Year Ended September 30, 2016**

#### **C. Basis of Presentation**

The County's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

##### **Government-wide Financial Statements**

The Statement of Net Position and Statement of Activities display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Net Position presents the financial condition of the governmental activities and business-type activities of the County at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the County's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the County.

##### **Fund Financial Statements:**

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

#### **D. Measurement Focus and Basis of Accounting**

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of

## JACKSON COUNTY, MISSISSIPPI

### Notes to the Financial Statements For the Year Ended September 30, 2016

accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the County. Grants are recognized as revenue as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The County reports the following major Governmental Fund(s):

General Fund – This fund is used to account and report all financial resources not accounted for and reported in another fund.

Road Fund – This fund is used to account for the maintenance and preservation of local roads financed with various revenue sources restricted for this purpose.

Additionally, the County reports the following fund types:

#### GOVERNMENTAL FUND TYPES

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

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

## JACKSON COUNTY, MISSISSIPPI

### Notes to the Financial Statements For the Year Ended September 30, 2016

Capital Projects Funds – These 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.

#### PROPRIETARY FUND TYPES

Enterprise Funds – These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the County has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

Internal Service Funds – These funds are used to account for those operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. These activities include personnel services, information technology, and risk management. In the government-wide financial statements, Internal Service Funds are included in the governmental activities.

#### FIDUCIARY FUND TYPES

Agency Funds – These funds account for various taxes, deposits and other monies collected or held by the County, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

#### **E. Account Classifications**

The account classifications used in the financial statements conform to the board classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 by the Government Finance Officers Association.

#### **F. Deposits and Investments**

State law authorizes the County to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the County may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three month or less). Investments in governmental securities are stated at fair value. However, the County did not invest in any governmental securities during the fiscal year.

#### **G. Receivables**

Receivables are reported net of allowances for uncollectible accounts, where applicable.

## **JACKSON COUNTY, MISSISSIPPI**

### **Notes to the Financial Statements For the Year Ended September 30, 2016**

#### **H. Interfund Transactions and Balances**

Transactions between funds that representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds". Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds". Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in the General Fund, if applicable, to indicate that they are not available for appropriation and are not expendable available financial resources. However, this is not applicable to advances reported in other governmental funds, which are reported, by definition, as restricted, committed, or assigned. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

#### **I. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items, such as prepaid insurance, are not reported for Governmental Fund Types since the costs of such items are accounted for as expenditures in the period of acquisition.

#### **J. Restricted Assets**

Proprietary fund and component unit assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

#### **K. Capital Assets**

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure 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. The extent to which capital assets, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

## JACKSON COUNTY, MISSISSIPPI

### Notes to the Financial Statements For the Year Ended September 30, 2016

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the County's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

Capitalization thresholds (dollar value above which asset acquisition are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statement. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Service Life
Land	\$ 0	N/A
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5 to 10 years
Furniture and equipment	5,000	3 to 10 years
Leased assets under capital leases	*	*
Infrastructure	0	20 to 50 years

\* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

#### L. 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 periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred amount on refunding – For current refundings and advance refundings resulting in defeasance of debt reported by governmental activities, the difference between the reacquisition price and the net carrying amount of old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Deferred outflows related to pensions – This amount represents the County's proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Note 14 for additional 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

## JACKSON COUNTY, MISSISSIPPI

### Notes to the Financial Statements For the Year Ended September 30, 2016

resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

Property tax for future reporting period/unavailable revenue – property taxes – Deferred inflows of resources should be reported when resources associated with imposed nonexchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

Deferred inflows related to pensions – This amount represents the County's proportionate share of the deferred inflows of resources reported by the pension plan which the County participates. See Note 14 for additional details.

Unavailable revenue - fines – When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

#### **M. 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 of Mississippi (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, 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.

#### **N. Long-term Liabilities**

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, the business-type activities or Proprietary Funds Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## JACKSON COUNTY, MISSISSIPPI

### Notes to the Financial Statements For the Year Ended September 30, 2016

#### O. Equity Classifications

Government-wide Financial Statements:

Equity is classified as Net Position and displayed in three components:

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

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

Unrestricted net position – All other net position not meeting the definition of “restricted” or “net investment in capital assets.”

Net Position Flow Assumption:

When an expense is incurred for purposes in which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County’s general policy to use restricted resources first. When 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 County’s general policy to spend committed and assigned resources first, and then unassigned amounts.

Fund Financial Statements:

Fund balances for governmental funds are 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.

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the County:

*Nonspendable fund balance* includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.



## JACKSON COUNTY, MISSISSIPPI

### Notes to the Financial Statements For the Year Ended September 30, 2016

*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 specific purposes pursuant to constraints imposed by a formal action of the Board of Supervisors, the County's highest level of decision-making authority. This formal action is an order of the Board of Supervisors as approved in the board minutes.

*Assigned fund balance* includes amounts that are constrained by the County'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 classified as nonspendable and is neither restricted nor committed. Assignments of fund balance are created by the Board of Supervisors pursuant to authorization established by Section 19-3-59, Miss. Code Ann. (1972). Currently, there is no assigned fund balance.

*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 if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

#### Fund Balance Flow Assumption:

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County's general policy to use restricted resources first. When expenditures 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 County's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

#### **P. Property Tax Revenues**

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the County. Restrictions associated with property taxes levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real

## JACKSON COUNTY, MISSISSIPPI

### Notes to the Financial Statements For the Year Ended September 30, 2016

and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

#### **Q. Intergovernmental Revenues**

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

#### **R. Compensated Absences**

The County has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and Proprietary Funds financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

#### **Note 2 – Prior Period Adjustments**

Significant adjustments were made to beginning net position/fund balances as described below:

##### Exhibit 2 - Statement of Activities:

		Governmental Activities	Business-Type Activities
Net effect of prior year errors in recording revenues and expenses	\$	1,426,650	27,098
To correct balances in capital assets		1,587,928	(13,702)
Total Adjustments	\$	<u>3,014,578</u>	<u>13,396</u>

## JACKSON COUNTY, MISSISSIPPI

### Notes to the Financial Statements For the Year Ended September 30, 2016

#### Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds:

	General Fund	Road Fund	Other Governmental Funds	Total Governmental Funds
Net effect of prior year errors in recording revenues and expenses	\$ 1,268,954	223,641	(65,945)	1,426,650

#### Exhibit 6 - Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds:

	Amount
To correct prior errors in recording revenues and expenses	27,098
To correct balances in capital assets	(13,702)
Net effect of prior year errors in recording revenues and expenses	\$ 13,396

### **Note 3 – Deposits and Investments**

#### Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2016, was \$82,381,712 and the bank balance was \$83,805,703. The collateral for public entities' deposits in financial institutions are 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 (FDIC).

**Custodial Credit Risk – Deposits.** Custodial credit risk for deposits is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal 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 (FDIC). 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 County.

#### Investments:

As provided in Section 91-13-8, Miss. Code Ann. (1972), the following investments of the County are handled through a trust indenture between the County and the trustee related to the operations of the Jackson County, Mississippi Tort Claims Trust.

As of September 30, 2016, investment balances and maturities for the Jackson County Tort Claims Trust are as follow:

## JACKSON COUNTY, MISSISSIPPI

### Notes to the Financial Statements For the Year Ended September 30, 2016

<b>Investment Type</b>	<b>&lt;1 year</b>	<b>1-5 years</b>	<b>6-10 years</b>	<b>&gt;10 years</b>	<b>Fair Value</b>	<b>Rating</b>
GNMA Pools	\$	975	30,306	108,472	\$ 139,753	AAA
U.S. Treasury Notes	100,576	712,321	75,890		888,787	AAA
	<u>\$ 100,576</u>	<u>713,296</u>	<u>106,196</u>	<u>108,472</u>	<u>\$ 1,028,540</u>	

**Interest Rate Risk.** The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, Section 19-9-29, Miss. Code Ann. (1972) limits the maturity period of any investment to no more than one year.

**Credit Risk.** State law limits investments to those authorized by Sections 19-9-29 and 91-13-8, Miss. Code Ann. (1972). The County does not have a formal investment policy that would further limit its investments choices or one that addresses credit risk.

**Custodial Credit Risk - Investments.** Custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. The investments in the U.S. Treasury Notes were held by the investment's counter party (trustee) not in the name of the County.

#### Restricted Assets

The restricted assets represent the cash balance and investments' balance, totaling \$4,000,000 and \$1,028,540, of the General Fund. Restricted assets also include \$149,371 cash balance in the enterprise funds.

#### Note 4 – Interfund Transactions and Balances

The following is a summary of interfund balances at September 30, 2016:

##### A. Due From/To Other Funds:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
General Fund	Other Governmental Funds	\$ 4,026,450
Road Fund	General Fund	265,380
Other Governmental Funds	General Fund	128,006
General Fund	Proprietary Fund	18,562
Agency Funds	General Fund	115,013
Total		<u>\$ 4,553,411</u>

The receivables represent the tax revenue collected, but not settled until October 2016 and capital projects. All interfund balances are expected to be repaid within one year from the date of the financial statements.

## JACKSON COUNTY, MISSISSIPPI

### Notes to the Financial Statements For the Year Ended September 30, 2016

#### B. Advances From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 4,465,813

Advances from the other governmental funds represent loans made to funds in the anticipation of grant receipts.

#### C. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 720,218
Road Fund	Other Governmental Funds	1,500,000
Other Governmental Funds	General Fund	1,455,361
Other Governmental Funds	Other Governmental Funds	100,000
Proprietary Funds	General Fund	54,056
Total		\$ 3,829,635

## JACKSON COUNTY, MISSISSIPPI

### Notes to the Financial Statements For the Year Ended September 30, 2016

#### Note 5 – Intergovernmental Receivables

Intergovernmental receivables at September 30, 2016, consisted of the following:

<b>Description</b>	<b>Amount</b>
Governmental Activities	
10.553 - Child Nutrition - Breakfast	\$ 410
10.555 - Child Nutrition - Lunch	667
97.042 EMPG2016	90,424
Legislative Tax Credit	828,291
14.228 - CDBG - 103-030-09-KED (Halter Marine)	10,206
15.668 CIAP (Moss Point Waterfront Land acquisition)	5,000
15.668 CIAP (Ocean Springs - Land acquisition)	178,565
15.668 CIAP (Ocean Springs Harbor Storm Water)	167,954
15.668 CIAP (Moss Point Sewer Project)	138,109
15.668 CIAP (BOS Project)	25,138
15.668 CIAP (Administration)	230,755
16.738 Edward Byrne (14DC1301)	7,217
20.106 FAA Grant (3-28-0101-031-2015)	77,913
20.106 FAA Grant (3-28-0101-032-2016)	98,619
20.616 - Occupant Protection Grant (16-CP-130-1)	4,110
97.067 15LE030	7,257
Total	<u>\$ 1,870,635</u>

#### Note 6 – Loans Receivable

Loans receivable balances at September 30, 2016, are as follows:

<b>Description</b>	<b>Date of Inception</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Amount</b>
Sandco Industries*	10-01-91	4.00%	11-04-04	\$ 50,000
Bayou Blend*	09-22-94	4.00%	09-01-99	86,254
Lagniappe House	12-02-97	4.00%	02-01-17	4,622
Total				<u>140,876</u>
Less: Allowance for doubtful accounts*				<u>(136,254)</u>
Total (Net of allowance for doubtful accounts)				<u>\$ 4,622</u>

\*Wrote off items.

## JACKSON COUNTY, MISSISSIPPI

### Notes to the Financial Statements For the Year Ended September 30, 2016

#### Note 7 – Restricted Assets

The balances of the restricted asset accounts are as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
MS Tort Claims Trust (investments)	\$ 1,028,540	
Trust Agreement	4,000,000	
Inmate canteen supplies (cash)		149,371
	\$ 5,028,540	149,371

# JACKSON COUNTY, MISSISSIPPI

## Notes to the Financial Statements For the Year Ended September 30, 2016

### Note 8 – Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2016:

#### Governmental Activities:

	<u>Beginning Balance</u>	<u>Acquisitions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Land	\$ 15,318,253				\$ 15,318,253
Construction in progress	40,375,930	8,771,377		* (34,833,961)	14,313,346
Total capital assets not being depreciated	55,694,183	8,771,377	-	(34,833,961)	29,631,599
Capital assets being depreciated:					
Buildings	71,579,386			30,135,039	101,714,425
Improvements other than buildings	14,494,221	30,684		1,582,516	16,107,421
Mobile equipment	31,318,837	2,763,894	(1,138,356)	93,388	33,037,763
Furniture & equipment	5,909,280	1,376,838	(406,566)	79,884	6,959,436
Infrastructure	192,847,467	3,986,734		4,571,354	201,405,555
Total capital assets being depreciated	316,149,191	8,158,150	(1,544,922)	36,462,181	359,224,600
Less accumulated depreciated for:					
Buildings	18,101,754	1,856,159			19,957,913
Improvements other than buildings	7,746,913	1,951,075			9,697,988
Mobile equipment	18,281,065	2,411,492	(957,155)	24,938	19,760,340
Furniture & equipment	4,894,280	471,177	(374,352)	15,354	5,006,459
Infrastructure	95,594,668	2,928,182			98,522,850
Total accumulated depreciation	144,618,680	9,618,085	(1,331,507)	40,292	152,945,550
Total capital assets being depreciated, net	171,530,511	(1,459,935)	(213,415)	36,421,889	206,279,050
Governmental activities capital assets, net	<u>\$227,224,694</u>	<u>\$ 7,311,442</u>	<u>\$ (213,415)</u>	<u>\$ 1,587,928</u>	<u>\$235,910,649</u>

\* Includes \$4,571,705 infrastructure and \$30,135,048 buildings transferred from construction in progress to these asset categories.

Adjustments were made to account for state aid project construction paid direct to contractor and not run through the County books.



# JACKSON COUNTY, MISSISSIPPI

## Notes to the Financial Statements For the Year Ended September 30, 2016

### Business-type Activities:

	<u>Beginning Balance</u>	<u>Acquisitions</u>	<u>Dispositions</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Capital assets not being depreciated:					
Land	\$ 205,507				\$ 205,507
Construction in progress	70,100				70,100
Total capital assets not being depreciated	275,607	-	-	-	275,607
Capital assets being depreciated:					
Improvements other than buildings	7,660,033				7,660,033
Mobile equipment	297,332	81,282	(36,275)		342,339
Furniture & equipment	135,318	16,390	(5,727)	(21,414)	124,567
Total capital assets being depreciated	8,092,683	97,672	(42,002)	(21,414)	8,126,939
Less accumulated depreciated for:					
Improvements other than buildings	2,910,816	1,455,408			4,366,224
Mobile equipment	199,040	41,998	(32,648)		208,390
Furniture & equipment	100,200	9,007	(5,154)	(7,712)	96,341
Total accumulated depreciation	3,210,056	1,506,413	(37,802)	(7,712)	4,670,955
Total capital assets being depreciated, net	4,882,627	(1,408,741)	(4,200)	(13,702)	3,455,984
Business-type activities capital assets, net	<u>\$ 5,158,234</u>	<u>\$ (1,408,741)</u>	<u>\$ (4,200)</u>	<u>\$ (13,702)</u>	<u>\$ 3,731,591</u>

Adjustments were made to correctly present capital assets.

Depreciation expense was charged to the following functions:

	<u>Amount</u>
<b>Governmental Activities:</b>	
General government	\$ 2,237,685
Public safety	2,114,284
Public works	4,304,914
Health and welfare	198,532
Culture and recreation	738,804
Conservation of natural resources	23,866
Total depreciation expense	<u>\$ 9,618,085</u>

# JACKSON COUNTY, MISSISSIPPI

## Notes to the Financial Statements For the Year Ended September 30, 2016

<b>Business-Type Activities</b>	<b>Amount</b>
Harbor	\$ 1,459,831
Golf Course	46,582
Total depreciation expense	<u>\$ 1,506,413</u>

Commitments with respect to unfinished projects at September 30, 2016, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
August Road (2012-10-144)	\$ 50,000	17-Dec
Big Point Road (LSBP 13-15)	1,000,000	18-Aug
Burney Rd Bridge (SA64)	200,000	18-Jun
Goffville Road Bridge (2016-01-358)	100,000	18-Jun
Gorenflo Road (2015-03-300)	25,000	17-Dec
Graveline Bridge (STP-BR-9191 (1)B)	3,500,000	19-Dec
Hazel Bounds (2015-11-348)	50,000	17-Dec
I-10 Connector Road (2013-03-159)	12,000,000	19-Dec
Independence Road Drainage (2016-01-359)	150,000	18-Jun
Isaac Williams Street Bridge (2016-01-360)	75,000	18-Jun
Jody Street (2015-09-339)	10,000	17-Dec
Ocean Springs - Vancleave Road (STP-9065-(2)B)	12,227,000	18-Dec
Old Fort Bayou (SA73)	496,000	17-Dec
Old Fort Bayou (SA74)	276,000	18-Jun
Old Fort Bayou Rd (curve) Realignment (2012-11-146)	400,000	17-Dec
Old Fort Bayou Rd/Yellow Jacket (2013-06-181)	544,000	17-Jun
Old Spanish Trail (Sidewalk Project) (STP-9064-00(11)	953,000	18-Dec
Ollie Vice Road Bridge (2013-06-184)	75,000	17-Dec
Pat Harrison Drainage (2016-01-362)	100,000	17-Dec
Point Aux Chenes Rd Drainage	175,000	17-Oct
Saracennia Rd (SAP-30(13))	1,116,700	17-Sep
Shelby Lane (2013-08-333)	250,000	18-Mar
Spring Lake Dam Improvements	300,000	18-Jun
Walker Road Extension Project (2014-02-233)	400,000	17-Oct
Walker Road Project Pphase I (2015-08-337)	600,000	18-Dec
Wire Road Phase II	300,000	17-Dec

### Note 9 – Defined Benefit Pension Plan

#### General Information about the Pension Plan

**Plan Description.** Jackson County, Mississippi 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. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

## JACKSON COUNTY, MISSISSIPPI

### Notes to the Financial Statements For the Year Ended September 30, 2016

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. At September 30, 2016, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2016 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2016, 2015 and 2014 were \$4,986,616, \$4,672,783 and \$4,374,610, respectively, equal to the required contributions for each year.

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

At September 30, 2016, liabilities were reported in the Governmental Activities in the amount of \$83,342,894 and the Business Type Activities in the amount of \$1,261,215 for its proportionate share of the net pension liabilities. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The County's proportionate share used to calculate the September 30, 2016 net pension liability was 0.4736 percent, which was based on a measurement date of June 30, 2016. This was an increase of 0.0018 from its proportionate share used to calculate the September 30, 2015 net pension liability, which was based on a measurement date of June 30, 2015.

# JACKSON COUNTY, MISSISSIPPI

## Notes to the Financial Statements For the Year Ended September 30, 2016

For the year ended September 30, 2016, the Governmental Activities and the Business Type Activities recognized pension expense of \$11,955,127 and \$188,346, respectively. At September 30, 2016, the Governmental Activities and the Business Type Activities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b>Governmental Activities</b>		
Differences between expected and actual experience	\$ 2,479,147	
Net difference between projected and actual earnings on pension plan investments	10,783,373	
Changes of assumptions	6,186,069	221,333
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	(3,574,192)	129,061
County contributions subsequent to the measurement date	<u>1,267,473</u>	<u></u>
Total	<u>\$ 17,141,870</u>	<u>350,394</u>
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
<b>Business Type Activities</b>		
Differences between expected and actual experience	\$ 39,057	
Net difference between projected and actual earnings on pension plan investments	169,886	
Changes of assumptions	97,458	3,487
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	(65,362)	1,886
County contributions subsequent to the measurement date	<u>19,968</u>	<u></u>
Total	<u>\$ 261,007</u>	<u>5,373</u>

Deferred outflows of resources reported in the Governmental Activities, in the amount of \$1,267,473, and Business Type Activities, in the amount of \$19,968, are related to pensions resulting from County contributions subsequent to the measurement date. These will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. 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 COUNTY, MISSISSIPPI

### Notes to the Financial Statements For the Year Ended September 30, 2016

#### Year ending September 30:

2017	\$ 5,917,680
2018	5,176,611
2019	2,994,006
2020	1,671,372

**Actuarial Assumptions** – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.00 percent
Salary increases	3.75-19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2016 with males rates set forward one year.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34.00%	5.20%
International Equity	19.00	5.00
Emerging Markets Equity	8.00	5.45
Fixed Income	20.00	0.25
Real Assets	10.00	4.00
Private Equity	8.00	6.15
Cash	1.00	(0.50)
Total	<u>100.00%</u>	

## JACKSON COUNTY, MISSISSIPPI

### Notes to the Financial Statements For the Year Ended September 30, 2016

**Discount rate** – The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 108,481,437	84,604,109	64,793,667

**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 Benefit (OPEB) Obligations

##### Plan Description

The Jackson County Board of Supervisors (the Board) administers the County's health insurance plan which is authorized by Sections 25-15-101 et seq., Mississippi Code Ann. (1972) and may be amended only by the Jackson County Board of Supervisors. The County purchases health insurance coverage from a commercial insurance company and offers the benefit of health insurance coverage through the County's health insurance plan (the Plan). Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a postemployment healthcare benefit reportable under GASB Statement 45 as a single-employer defined benefit healthcare plan. Effective October 1, 2009, the County implemented GASB Statement 45 prospectively, which requires reporting on an accrual basis the liability associated with other postemployment benefits. The County does not issue a publicly available financial report for the Plan.

##### Funding Policy

Employees' premiums are funded by the County with additional funding provided by retired employees and by active employees for spouse and dependent medical coverage. The Plan is financed on a pay-as-

## JACKSON COUNTY, MISSISSIPPI

### Notes to the Financial Statements For the Year Ended September 30, 2016

you-go basis. The Board of Supervisors, acting in conjunction with the commercial insurance company, has the sole authority for setting health insurance premiums for the County's health insurance plan.

Per Section 25-15-103, Mississippi Code Ann. (1972), any retired employee electing to purchase retiree health insurance must pay the full cost of the insurance premium monthly to the County. For the year ended September 30, 2016, retiree monthly premiums range from \$799 to \$1,049 depending on dependent coverage and Medicare eligibility.

#### Actuarial Valuation

The County's Health Insurance Plan's Report of the Actuary on the Other Postemployment Benefits Valuation was prepared as of October 1, 2015. The plan presently has an actuarial valuation performed biannually in order to be in compliance with GASB Statement 45.

#### Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC was determined assuming the plan would fund the OPEB liability on a pay-as-you-go basis. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The current ARC of \$326,218 is 1.30 percent of annual covered payroll.

The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2016:

Annual required contribution	\$ 326,218
Interest on net OPEB obligation	76,441
Adjustment to annual required contribution	(92,665)
Annual OPEB cost (expense)	<u>309,994</u>
Contributions made	(32,152)
Increase (Decrease) in net OPEB obligation	<u>277,842</u>
Net OPEB obligation - beginning of year	1,698,680
Net OPEB obligation - end of year	<u><u>\$ 1,976,522</u></u>

## JACKSON COUNTY, MISSISSIPPI

### Notes to the Financial Statements For the Year Ended September 30, 2016

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016 and the two preceding years were as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
9/30/16	\$ 309,994	10.40%	\$ 1,976,522
9/30/15	292,019	10.10%	1,698,680
9/30/14	367,388	12.20%	1,436,158

### Funding Status and Funding Progress

The following table provides funding information for the most recent actuarial valuation date:

Actuarial valuation date	10/1/2015
Actuarial value of assets	\$ -
Actuarial accrued liability (AAL) entry age normal	\$ 2,114,931
Unfunded AAL (UAAL)	\$ 2,114,931
Funded ratio	0.00%
Annual covered payroll	\$ 25,016,892
UAAL as a percentage of annual covered payroll	8.50%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

### Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows:



## JACKSON COUNTY, MISSISSIPPI

### Notes to the Financial Statements For the Year Ended September 30, 2016

Actuarial valuation date	10/1/2015
Actuarial cost method	Entry age normal
Amortization method	Level percentage, closed basis
Remaining amortization period	30 years
Asset valuation method	N/A
Actuarial assumptions:	
Investment rate of return*	4.50%
Projected salary increases**	2.00%
Healthcare cost trend rate*	10.00%
Ultimate trend rate	9.00%
Year of ultimate trend rate	2025
*Includes price inflation at	0.00%
**Includes wage inflation at	2.00%

#### Note 11 – Risk Management

##### Workers' Compensation Benefits

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident with a one-time \$750,000 deductible, which completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2016 to January 1, 2017. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

##### Health and Accident Benefits

The County is exposed to risk of loss relating to employee health, accident and dental coverage. Beginning in 1990 and pursuant to Section 25-15-101, Miss. Code Ann. (1972), the County established a risk management fund (included as an Internal Service Fund) to account for and finance its uninsured risk of loss. Each participating public entity, including Jackson County, pays the premium on a single coverage policy for its respective employees. Employees desiring additional and/or dependent coverage pay the additional premium through a payroll deduction. Premium payments to the risk management fund are determined on an actuarial basis. The County has minimum uninsured risk retention to the extent that actual claims submitted exceed the predetermined premium. The County has implemented the following plans to minimize this potential loss:

## JACKSON COUNTY, MISSISSIPPI

### Notes to the Financial Statements For the Year Ended September 30, 2016

The County has purchased coinsurance which functions on specific stop loss coverage. This coverage is purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$125,000.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). At September 30, 2016, the amount of these liabilities was \$343,652. An analysis of claims activities is presented below:

	Liability at Beginning of Fiscal Year	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at End of Fiscal Year
2014 - 2015	\$ 241,688	\$ 8,460,066	\$ 8,495,223	\$ 206,531
2015 - 2016	\$ 206,531	\$ 9,085,339	\$ 8,948,218	\$ 343,652

#### Tort Liability

The County has chosen to manage tort claims through the retention of liability exposure up to \$250,000 per occurrence in accordance with Section 11-46-17, Miss. Code Ann. (1972). Jackson County has submitted its annual plan of coverage against exposure to the risk of tort claims to the Mississippi Tort Claims Board and has received approval for its plan of coverage from the Tort Claims Board. Jackson County also purchases commercial insurance protection for coverage in excess of the retention amount noted above.

#### Note 12 – Operating Leases

As Lessee:

The County has entered into certain operating leases for equipment and real property which do not give rise to property rights. Maturity dates range from June 2015 through May 2019. Real property leased for the sheriff's substation is renewed in five year intervals; real property leased for the harbor is renewed in ten year intervals. Historically equipment leased by the County is returned after the initial lease term. Total costs for such leases were \$25,075 for the fiscal year ended September 30, 2016. The future minimum lease payments for these leases are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2017	\$ 21,895
2018	21,895
2019	21,895
Total minimum payments required	<u>\$ 65,685</u>

## JACKSON COUNTY, MISSISSIPPI

### Notes to the Financial Statements For the Year Ended September 30, 2016

#### Note 13 – Long-term Debt

##### Long-term Debt Outstanding at Year End

The County had the following types of long-term debt outstanding as of September 30, 2016:

##### Governmental Activities:

<u>Description</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Maturity Date</u>
General Obligation Bonds			
Road Improvement 05	\$ 1,160,000	3.00-5.00%	12/2016
Taxable Port, Series 2015	147,600	1.99%	12/2016
2011B Refunding	955,000	2.00-3.50%	05/2018
2013 Refunding	<u>5,140,000</u>	.50-2.80%	06/2020
Total General Obligation Bonds	<u>\$ 7,402,600</u>		
Limited Obligation Bonds			
Correctional Facility Series 2013	<u>\$ 25,345,000</u>	3.50%	07/2032
Other Loans			
Rail Loan	\$ 627,775	0-1.00%	03/2026
Fort Bayou Building	26,760	5.26%	01/2017
Forts Lake/Franklin Creek VFD	22,435	4.26%	03/2017
G.O. Notes, Series 2016	1,797,667	1.58%	08/2017
2012 General Obligation Note	<u>620,000</u>	2.57%	03/2015
Total Other Loans	<u>\$ 3,094,637</u>		

##### Legal Debt Margin

Except for specifically exempted debt, the amount of debt that can be incurred by the County is limited by state statute to 15 percent of the assessed value of the taxable property within the County, as determined by the most recently completed assessment. However, the limitation is increased to 20 percent if the county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2016, the amount of outstanding debt subject to the limit was equal to .44% percent of the most recent assessment.

Certificates of Participation - In accordance with Section -31-8-1 et seq. Mississippi Code Ann., (1972), the County issued Certificates of Participation and transferred the proceeds to the Jackson County Governmental Facilities Corporation. The funds are to be used to construct a County Jail Complex. At completion, the Corporation will enter into a twenty year lease with the County. The County is obligated

# JACKSON COUNTY, MISSISSIPPI

## Notes to the Financial Statements For the Year Ended September 30, 2016

to pay the principal and interest on the debt. At the completion of the lease, the County will assume ownership of the facility. This obligation is not a general obligation and does not constitute a pledge of full faith and credit of the County.

### Changes in Long-term Liabilities

Changes in the County's long-term liabilities for the year ended September 30, 2016 are summarized below:

#### Governmental Activities:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Compensated absences	\$ 1,769,252	\$ 7,719	\$ -	\$ 1,776,971	\$ -
General obligation bonds	9,720,000	147,600	2,465,000	7,402,600	3,027,600
Premium	12,864		(289)	12,575	
Discount	(25,720)		8,574	(17,146)	
Limited obligation bonds	26,465,000		1,120,000	25,345,000	1,165,000
Other loans	2,068,595	1,797,667	771,625	3,094,637	1,081,242
	<u>\$ 40,009,991</u>	<u>\$ 1,952,986</u>	<u>\$ 4,364,910</u>	<u>\$ 37,614,637</u>	<u>\$ 5,273,842</u>

#### Business-type Activities:

	<b>Beginning Balance</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Compensated absences	<u>\$ 45,280</u>	<u>\$ 4,426</u>	<u>\$ 40,854</u>	<u>\$ -</u>

For governmental funds, compensated absences are paid from the fund in which the employees' salaries are recorded, generally the General Fund, Road Fund, Solid Waste Fund, and the Jackson County Fire District Fund.

# JACKSON COUNTY, MISSISSIPPI

## Notes to the Financial Statements For the Year Ended September 30, 2016

### Debt Service Requirements

At September 30, 2016, the annual debt service requirements for the County's long-term debt are as follows:

#### Governmental Activities:

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>		<u>Limited Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 3,027,600	\$ 177,868	\$ 1,165,000	\$ 931,612
2018	1,755,000	111,243	1,210,000	885,012
2019	1,295,000	69,475	1,260,000	836,612
2020	1,325,000	37,100	1,325,000	773,612
2021			1,390,000	2,945,460
2022 - 2026			7,815,000	1,622,886
2027 - 2031			9,155,000	210,176
2032 - 2036			2,025,000	
Totals	<u>\$ 7,402,600</u>	<u>\$ 395,686</u>	<u>\$ 25,345,000</u>	<u>\$ 8,205,370</u>

<u>Year Ending September 30</u>	<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 1,081,242	\$ 44,296
2018	418,983	25,699
2019	426,058	18,623
2020	433,276	11,406
2021	440,638	4,043
2022 - 2026	294,440	-
Totals	<u>\$ 3,094,637</u>	<u>\$ 104,067</u>

### Note 14 – Deferred Outflows/Inflows of Resources

The County reports the following items in these categories:

#### Government-wide Statement of Net Position:

- **Deferred charge on refunding.** A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

## JACKSON COUNTY, MISSISSIPPI

### Notes to the Financial Statements For the Year Ended September 30, 2016

- **Deferred outflows related to pensions.** This amount represents the County's proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. Refer to Note 9 for additional details.
- **Deferred revenue – property taxes.** Deferred revenue – property taxes results from recording a receivable for property tax revenue when the revenue will not be available until a future reporting period.
- **Deferred inflows related to pensions.** This amount represents the County's proportionate share of the deferred inflows of resources reported by the pension plan in which the County participates. Refer to Note 9 for additional details.

#### **Governmental Funds Balance Sheet:**

- **Deferred revenue – property taxes.** This item results from recording a receivable for property tax revenue that will not be available until a future reporting period.
- **Deferred revenue – fines.** This amount represents the portion of fines receivable that does not meet the *current financial resources* criteria, and accordingly, will not be available until a future reporting period.

#### **Proprietary Funds Statement of Net Position:**

- **Deferred outflows related to pensions.** This amount represents the County's proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. Refer to Note 9 for additional details.
- **Deferred inflows related to pensions.** This amount represents the County's proportionate share of the deferred inflows of resources reported by the pension plan in which the County participates. Refer to Note 9 for additional details.

## JACKSON COUNTY, MISSISSIPPI

### Notes to the Financial Statements For the Year Ended September 30, 2016

#### Note 15 – Segment Information

The County maintains three enterprise funds, which provide recreation and community services, rental services and food services. Summary financial information for each enterprise fund is presented as of September 30, 2016.

##### Condensed Statement of Net Position:

	ADC Canteen Fund	Ocean Springs Harbor Fund	Golf Course Fund	Total
Current assets	\$ 149,371	16,732	(16,732)	149,371
Capital assets		3,505,833	225,758	3,731,591
Total Assets	<u>149,371</u>	<u>3,522,565</u>	<u>209,026</u>	<u>3,880,962</u>
Deferred outflows of resources		45,754	215,253	261,007
Current liabilities	1,065	2,760	34,340	38,165
Noncurrent liabilities		228,414	1,073,655	1,302,069
Total Liabilities	<u>1,065</u>	<u>231,174</u>	<u>1,339,169</u>	<u>1,340,234</u>
Deferred inflows of resources	-	949	4,424	5,373
Net position:				
Net Investment in capital assets		3,505,833	225,758	3,731,591
Restricted	148,306			148,306
Unrestricted		(169,637)	(913,898)	(1,083,535)
Total Net Position	<u>\$ 148,306</u>	<u>3,336,196</u>	<u>(688,140)</u>	<u>2,796,362</u>

# JACKSON COUNTY, MISSISSIPPI

## Notes to the Financial Statements For the Year Ended September 30, 2016

### Condensed Statement of Revenues, Expenses and Changes in Net Position:

	ADC Canteen Fund	Ocean Springs Harbor Fund	Golf Course Fund	Total
Operating revenues	\$ 56,553	255,889	676,531	988,973
Operating expenses	(26,459)	(254,809)	(778,679)	(1,059,947)
Depreciation expense		(1,459,831)	(46,582)	(1,506,413)
Operating Income (Loss)	<u>30,094</u>	<u>(1,458,751)</u>	<u>(148,730)</u>	<u>(1,577,387)</u>
Interest income	729	41	94	864
Loss on sale of capital assets			(4,200)	(4,200)
Transfers in			<u>54,056</u>	<u>54,056</u>
Change in Net Position	<u>30,823</u>	<u>(1,458,710)</u>	<u>(98,780)</u>	<u>(1,526,667)</u>
Net Position – Beginning	117,483	4,790,431	(598,281)	4,309,633
Prior period adjustment		4,475	8,921	13,396
Net Position - Beginning, as restated	<u>117,483</u>	<u>4,794,906</u>	<u>(589,360)</u>	<u>4,323,029</u>
Net Position – Ending	<u>\$ 148,306</u>	<u>3,336,196</u>	<u>(688,140)</u>	<u>2,796,362</u>

### Condensed Statement of Cash Flows:

	ADC Canteen Fund	Ocean Springs Harbor Fund	Golf Course Fund	Total
Net cash provided (used) by:				
Operating activities	\$ 26,425	18,180	(40,198)	4,407
Noncapital financing activities			72,618	72,618
Capital and related financing activities			(97,672)	(97,672)
Investing activities	<u>729</u>	<u>41</u>	<u>94</u>	<u>864</u>
Net increase (decrease) in cash	<u>27,154</u>	<u>18,221</u>	<u>(65,158)</u>	<u>(19,783)</u>
Cash - Beginning of Year	<u>122,217</u>	<u>(1,489)</u>	<u>48,426</u>	<u>169,154</u>
Cash - End of Year	<u>\$ 149,371</u>	<u>16,732</u>	<u>(16,732)</u>	<u>149,371</u>

### Note 16 – Jointly Governed Organizations

The County participates in the following jointly governed organizations:

Southern Mississippi Planning and Development District operates in a district composed of the counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The governing body is a 27-member board of directors, one appointed by the Board of Supervisors of each member county, one from each of the six



## **JACKSON COUNTY, MISSISSIPPI**

### **Notes to the Financial Statements For the Year Ended September 30, 2016**

participating cities and six appointed at large by minority members. The County appropriated \$34,917 for support of Southern Mississippi Planning and Development District in fiscal year 2016.

Jackson County Civic Action is jointly governed by various public entities, as well as by certain corporations and civic groups. The Jackson County Board of Supervisors appoints two of the 15 members of the board of directors. The County appropriated \$157,920 for support of the Jackson County Civic Action in fiscal year 2016.

Jackson County Economic Development Foundation is jointly governed by various public entities, as well as by certain corporations. The Jackson County Board of Supervisors appoints two of the 16 members of the board of directors. The County appropriated \$350,000 for support of the Jackson County Economic Development Foundation in fiscal year 2016.

Gulf Regional Planning and Development District operates in a district composed of the counties of Hancock, Harrison and Jackson. The governing body is a nine-member board of directors; three appointed by the Board of Supervisors of each member county. The County appropriated \$30,835 for support of Gulf Regional Planning and Development District in fiscal year 2016.

Harrison-Jackson County Emergency Medical Service District operates in a district composed of the counties of Harrison and Jackson and the Cities of Biloxi, Gulfport and Ocean Springs. The district's board is composed of five members, one appointed by each government. The County provided no financial support to Harrison Jackson County Emergency Medical Service District in fiscal year 2016.

LaPointe-Krebs Foundation is jointly governed by Jackson County, the City of Pascagoula and Jackson County Historical and Genealogical Society. The Jackson County Board of Supervisors appoints two of the 5 members of the board of directors. The County appropriated \$50,000 for financial support to the LaPointe-Krebs Foundation in fiscal year 2016.

Mississippi Gulf Coast Community College operates in a district composed of the counties of George, Harrison, Jackson and Stone. The college's board of trustees is composed of 23 members; three each appointed by George and Stone counties, eight each appointed by Harrison and Jackson counties, and one appointed at large. The County appropriated \$8,144,246 for maintenance and support of the college in the fiscal year 2016.

Mississippi Regional Housing Authority IV operates in a district composed of the counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The governing body is a 15-member board of commissioners; one appointed by the Board of Supervisors of each of the member counties and one appointed at large. The counties generally provide no financial support to the organization.

#### **Note 17 – Contingencies**

**Federal Grants** – The County 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 grant agreements and applicable federal regulations, including the

## JACKSON COUNTY, MISSISSIPPI

### Notes to the Financial Statements For the Year Ended September 30, 2016

expenditure of resources for allowable purposes. Any disallowance resulting from an agency audit may become a liability of the county. The County estimates that the ultimate disallowance pertaining to these grants, if any, will be immaterial to its overall financial condition.

**Litigation** - The County is party to legal proceedings, many of which occur in the normal course of governmental operations. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

The County has been named as a defendant in various lawsuits seeking unspecified damages for incidents involving the Sheriff's Department. The County has excess liability insurance coverage that it believes would cover any judgment against the County up to a limit of \$1,000,000. The policy has a \$250,000 self-insured retention. No provision has been made in the accompanying financial statements for this contingent liability since the amount of the potential loss, if any, cannot be reasonably estimated.

Hospital Note Contingencies. The County previously issued two (2) notes currently payable from July 1, 2014 through July 1, 2036 to provide funds for constructing and improving capital facilities of the Singing River Hospital System ("SRHS") and refunding prior bonds issued for similar purposes for the SRHS. These notes are reported as a liability of the SRHS because such notes are payable primarily from the SRHS's revenues. However, the County remains contingently liable for the payment of these notes because it has pledged to levy up to five (5) mills in case of any shortfall in the payment of debt service on these notes by the SRHS. The principal amount of these notes outstanding at September 30, 2016, is \$87,915,000.

#### **Debt Contingencies**

**No Commitment Debt** – From time to time, the County has issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. These bonds either bear the County's name or constitute a moral responsibility of the County that is not an enforceable promise to pay. However, because the debt includes an explicit statement as to the absence of obligation of the County, other than possibly an agreement to assist creditors in exercising their rights in the event of default, these bonds are classified as no commitment debt and are not reported as liabilities in the accompanying financial statements. Default on these bonds may adversely affect the County's ability to borrow; accordingly, outstanding issuances of such debt are disclosed as follows:

Description	Amount outstanding
Industrial revenue bonds and notes	\$ <u>36,480,000</u>

## **JACKSON COUNTY, MISSISSIPPI**

### **Notes to the Financial Statements For the Year Ended September 30, 2016**

#### **Note 18 – Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Jackson County evaluated the activity of the County through the date the financial statements were available to be issued, and determined that no subsequent event has occurred requiring disclosure in the notes to the financial statements.

**Component Unit**  
**Singing River Health/Mental Retardation Services**

Notes to the Financial Statements  
For the year ended June 30, 2016

**SINGING RIVER MENTAL HEALTH / MENTAL RETARDATION SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

Singing River Mental Health/Mental Retardation Services (the "Agency") is a special purpose governmental unit of the State of Mississippi. Legal authority is granted the Agency by Section 6909-57 et. seq. of the Mississippi Code of 1972. Section 41-19-31 et. seq. of the Mississippi Code of 1972 sets forth the purpose and duties of the Agency, which are to establish facilities within which to operate and maintain programs to serve the mentally ill and mentally retarded in Jackson and George counties in Mississippi.

The Agency is a component unit of Jackson County, Mississippi and is governed by a Board of Commissioners, composed of two members, appointed in accordance with State Law, one by the Jackson County Board of Supervisors, and one by the George County Board of Supervisors. These Commissioners are the governing authority of the Agency. The commissioners sit on the Board of Directors of Singing River Mental Health/Mental Retardation Services, which is an advisory board composed of fifteen members representing Jackson and George Counties. The Board employs a full-time executive to manage the day-to-day operations of the Agency.

The financial statements of the Agency have been prepared in conformity with generally accepted accounting principles (GAAP), as applied to government units. The Agency's status as a special government unit requires that it follow GAAP for state and local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles and is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

Governments are also required to follow the pronouncements of the Financial Accounting Standard Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The Agency has the option to apply FASB pronouncements issued after the date to its business-type activities and enterprise funds (see discussion of enterprise funds under Note B below), the Agency has chosen to make this election. The more significant accounting policies established in GAAP and used by the Agency is discussed below.

**B. Basic Financial Statements – Fund Financial Statements**

Under GASB 34 definition of business type activities, all of the Agency's activities are classified as business type activities. Additionally, the Agency may be classified as a special purpose government engaged in only business type activities. As such, only fund financial statements are required to be presented. The focus of proprietary fund measurement is upon determining of operating income, changes in the net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to business in the private sector.



**SINGING RIVER MENTAL HEALTH / MENTAL RETARDATION SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital cost, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy which is designed to recover its cost of service delivery. The Agency is also required to serve the entire population in its service area regardless of the population's ability to pay fees assessed. In support of this requirement, some costs are covered in part by operating grants and Medicaid.

**C. Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

The fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. These financial statements are presented using the economic resources measurement focus.

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Inventories**

Inventories are stated at the lower of cost (first-in, first-out method) or market. Disbursements for inventoried items are classified as expenditures at the time of purchase, with annual adjustments made to the inventory account. Annual inventory counts are made at Singing River Industries and the pharmacy and these amounts are reflected in the balance sheet as an asset.

**E. Capital Assets**

Capital assets purchased or acquired with an original cost of \$1,000 or a useful life of more than one year are reported at historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the asset's estimated useful life. Various items, which may be less than \$1,000 or have useful lives of less than one year, must be recorded as capital assets under the purchasing laws of the State of Mississippi.

**SINGING RIVER MENTAL HEALTH / MENTAL RETARDATION SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. Compensated Absences**

The Agency allows employees to accumulate unused sick leave up to sixty (60) days. Any sick leave earned, but unused at the time the employee ceases to be employed by the Agency, is forfeited. employees earn one (1) day of sick leave for each full month of employment, depending on date of hire and classification. The Agency does not accrue sick leave as it's earned, but instead funds sick leave as it is taken.

Employees earn vacation time during employment at various rates depending on the length of service and hire date. An employee may accumulate vacation time up to forty-five (45) days. Upon termination, up to thirty (30) days of accumulated vacation time may be paid to the terminated employee. The Agency accrues vacation as the employee earns it. As of June 30, 2016, the liability for accrued vacation leave is \$195,133.

**G. Use of Estimates**

The Agency uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expense.

**H. Concentrations**

The Agency receives approximately 83% of its total revenue from two main sources. One source is the Mississippi Department of Mental Health, which provides 21.3% of the Agency's revenue in the form of cost reimbursement and purchase of service grants, and the other is the Mississippi Division of Medicaid, which provides 61.6% of the total revenue for the period. Medicaid funding is based exclusively on services provided to Medicaid eligible clients.

**NOTE B. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

For purposes of the accompanying statements of cash flows, the Agency considers all certificates of deposit purchased with maturity of three months or less to be cash equivalents.

The Agency maintains cash at local financial institutions consisting entirely of demand deposit. The Agency participates in a sweep account system with The First bank, which invests the entire balance of the funds on deposit in overnight securities, which return interest income on a daily basis. The sweep account funds the daily transactions of the operating and payroll accounts. The demand account balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per account type, per institution.

**SINGING RIVER MENTAL HEALTH / MENTAL RETARDATION SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE B. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)**

	The First Bank	Charter Bank
DEMAND DEPOSITS:		
Total Deposits	\$ 412,613	\$ 1,389,234
Covered by:		
FDIC Insured Amount	250,000	250,000
Collateral, MS collateral pool	162,613	1,139,234
Amount of demand deposits not covered by insurance or collateral	\$ -	\$ -

The Agency has funds invested in a short term certificate of deposit with Charter Bank. As of June 30, 2016, the account had a fair market value of \$1,389,234.

A summary of the total unrestricted cash as of June 30, 2016 is as follows:

Operating Cash and Reserve	\$ 243,673
Certificate of Deposit	1,389,234
Cash in Petty Cash Accounts	1,117
Total unrestricted cash	<u>\$ 1,634,024</u>

**NOTE C. NOTES PAYABLE**

The Agency incurred debt in the amount of \$222,499 to help finance an Electronic Health Records System. The funds were borrowed from Singing River Regional Facilities Foundation, Inc. The funds were disbursed in two installments, October 22, 2014 in the amount of \$148,333 and April 13, 2015 in the amount of \$74,166. Interest is due one year from the agreement date in the amounts of \$1,061 and \$531 respectively. The second loan of \$74,166 was converted to a gift along with a subsequent installment. The Agency has made payments on the loan resulting in a current balance of \$129,791. The note is expected to be forgiven, but had not yet been at year end, therefore it is classified as current. However, Singing River Regional Facilities Foundation, Inc. has resolved to dissolve and will not require the Agency to make further debt or lease payment after December 31, 2016.



**SINGING RIVER MENTAL HEALTH / MENTAL RETARDATION SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE D. ACCOUNTS RECEIVABLE**

Net accounts receivable as of June 30, 2016 is composed of:

	<u><b>Patient Fees</b></u>
Accounts receivable, clients	\$ 30,378
Accounts receivable, Medicaid	419,033
Accounts receivable, third party insurance	52,663
Allowance for doubtful accounts	<u>(29,044)</u>
Total patient fees	<u><u>\$ 473,030</u></u>
	<u><b>SRI Sales</b></u>
Accounts receivable, clients	\$ 3,083
Allowance for doubtful accounts	-
Total SRI sales	<u><u>\$ 3,083</u></u>
Accounts receivable, other	8,968
Total Accounts Receivable	<u><u>\$ 485,081</u></u>

**NOTE E. FUNDING**

Explanation of funding:

As stated in Note A, the Agency is a special purpose governmental entity created by an act of the Mississippi Legislature. Although the Agency is an independent governmental unit, it does not have the power to levy taxes in support of its operations, but is supported by providing certain mandated mental health and mental retardation services to the general public and charging fees for those services.

The fees in which the Agency charges, are set, in some cases, in relation to the cost of providing the service. The certification standards of the Mississippi Department of Mental Health, the Agency's certification and oversight agency, state that the Agency must provide services to anyone who requires them regardless of ability to pay. In order to accommodate this requirement, the Agency must charge rates on a sliding fee scale, which adjust fees based on the recipient's ability to pay. Such determinations are made at the time an individual request service. To enable the Agency to provide services on a sliding fee scale, Mississippi Department of Mental Health makes certain grants available to the Agency. The grants are in the form of cost reimbursement grants and purchase

**SINGING RIVER MENTAL HEALTH / MENTAL RETARDATION SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE F. FUNDING (continued)**

of service grants. Many of the grants are subsidized by the Federal government through Department of Health and Human Services and by special tax revenues assessed by the State of Mississippi. The Agency also provides services to individuals who are Medicaid eligible.

For purchase of service grants and Medicaid eligible services, the fee rates that the agency receives for certain services are determined by the Mississippi Department of Mental Health and the Mississippi Division of Medicaid. For cost reimbursement grants, the Agency receives funding to offset the cost of providing services based on the amount allowable costs incurred in the program.

The Mississippi Code also encourages support for regional mental centers from the Counties in which they operate. The Board of Supervisors in the mental health region are permitted to contribute to the support of mental health and retardation programs from their general funds, and at their option, assess up to two mills in their jurisdiction specifically for this purpose. At present, Jackson County and George County both contribute to the Agency, but do not assess millage in their counties for this purpose.

Funding received from various sources is detailed below:

<u>Program Funding</u>	<u>Total</u>	<u>Percent of Program Funding</u>
Medicaid	\$ 4,617,208	61.6%
Grants	1,856,060	24.8%
Self Pay and third party reimbursement	496,077	6.6%
County funds	453,000	6.0%
Pharmacy	9,269	0.1%
Client fees and work activity fees	60,899	0.8%
Total Program Funding	<u>\$ 7,492,513</u>	<u>100%</u>

Excess Revenue

Regional mental health centers are allowed to accumulate excess revenues up to 50% of their current operating budget without justification to the Department. An accumulation in excess of this amount is required to be reported to Mississippi Department of Mental Health along with a plan for expending the funds on programs or capital expenditures. Surpluses are encouraged for payment of Medicaid matching funds, unplanned interruptions in funding and other emergencies, which limit the centers ability to provide services. As of June 30, 2016, the Agency has accumulated reserves of approximately 17.69% of its annual operation budget.

As of June 30, 2016, the amount receivable from the Mississippi Department of Mental Health for services provided under grants was \$212,058, all of which was deemed collectable.

**SINGING RIVER MENTAL HEALTH / MENTAL RETARDATION SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE G. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance Sheet Beginning June 30, 2015	Net Additions and Deletions	Balance Sheet Ending June 30, 2016
Land	\$ 10,000	\$ -	\$ 10,000
Buildings	1,765,550	-	1,765,550
Building improvement	566,873	35,700	602,573
Equipment	1,373,291	75,380	1,448,671
Software	18,851	321,650	340,501
Assets held for completion	222,498	(222,498)	-
Totals	3,957,063	210,232	4,167,295
Accumulated depreciation	(1,958,065)	(234,673)	(2,192,738)
Totals	\$ 1,998,998	\$ (24,441)	\$ 1,974,557

Depreciation expenses for the year ending June 30, 2016 were \$234,673.

**NOTE H. COMMITMENTS AND CONTINGENCIES**

**A. Lease Commitment**

The Agency operates from leased facilities in Jackson and George Counties under lease agreements classified as operating leases for accounting purposes. Some leases are renewed on a yearly basis. Total rent expense for the fiscal year ending June 30, 2016, was \$36,000. Required estimated future minimum lease payments are as follows:

For the year ending June 30, 2017 \$38,400

**B. Equipment Lease Commitment**

The Agency leases copiers and related accessories for use in Jackson and George Counties under lease agreements classified as operating leases for accounting purposes. Leases are on a 48 month terms with a fair market value purchase option at the end of the lease. Total copier rent expense for the fiscal year ending June 30, 2016, was \$86,541. Required estimated future minimum lease payments are as follows:

**SINGING RIVER MENTAL HEALTH / MENTAL RETARDATION SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE H. COMMITMENTS AND CONTINGENCIES (continued)**

For the year ending June 30, 2017	\$30,115
For the year ending June 30, 2018	15,058
For the year ending June 30, 2019	0
For the year ending June 30, 2020	0
	<u>\$45,173</u>

**NOTE I. PENSION PLAN**

**A. Description**

Singing River Mental Health/Mental Retardation Services contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature.

PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee

Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

**NOTE J. DEFINED BENEFIT PENSION PLAN**

**Plan Description.** The Public Employees' Retirement System of Mississippi (PERS or the System) was created with the purpose to provide pension benefits for all state and public education employees, sworn officers of the Mississippi Highway Safety Patrol, other public employees whose employers have elected to participate in the System, and elected members of the State Legislature and the President of the Senate. The System administers a cost-sharing, multiple-employer defined benefit pension plan as defined by Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans.

**Benefits provided.**

Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest

**SINGING RIVER MENTAL HEALTH / MENTAL RETARDATION SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE J.      DEFINED BENEFIT PENSION PLAN (continued)**

compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. 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. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

**Contributions.** PERS members are required to contribute 9.00% of their annual covered salary, and the Agency is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2016 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The Agency's contributions to PERS for the fiscal years ending June 30, 2016, 2015 and 2014 were \$933,416, \$884,391, and \$990,750, 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, 2016, the Agency reported a liability of \$10,570,669 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2016, the Agency's proportion was 0.059178 percent.

For the year ended June 30, 2016, the Agency recognized pension expense of \$604,153. At June 30, 2016 the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**SINGING RIVER MENTAL HEALTH / MENTAL RETARDATION SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE J. DEFINED BENEFIT PENSION PLAN (continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 716,111	\$ -
Net difference between projected and actual earnings on pension plan investments	294,838	-
Changes in proportion and differences between Agency contributions and proportionate share of contributions	498,324	28,089
Agency contributions subsequent to the measurement	-	-
Totals	\$ 1,509,273	\$ 28,089

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the year ending June 30, 2016	\$255,287
For the year ending June 30, 2017	523,102
For the year ending June 30, 2018	514,234
For the year ending June 30, 2019	387,178
For the year ending June 30, 2020	370,952
For the year ending June 30, 2021	208,825
Totals	<u>\$2,259,578</u>

**Actuarial assumptions.** The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<b>Inflation</b>	3.0 percent
<b>Salary increases</b>	3.75 - 19.00 percent, including inflation
<b>Investment rate of return</b>	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with male rates set forward one year.



**SINGING RIVER MENTAL HEALTH / MENTAL RETARDATION SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE J. DEFINED BENEFIT PENSION PLAN (continued)**

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class of June 30, 2016, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S Broad	34.00%	5.20%
International Equity	19.00%	5.00%
Emerging Markets Equity	8.00%	5.45%
Fixed Income	20.00%	0.25%
Real Assets	10.00%	4.00%
Private Equity	8.00%	6.15%
Cash	1.00%	-0.50%
Totals	<u>100.00%</u>	

**Discount rate.** The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that Employer contributions (15.75%) will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**SINGING RIVER MENTAL HEALTH / MENTAL RETARDATION SERVICES**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**NOTE J. DEFINED BENEFIT PENSION PLAN (continued)**

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Decrease (8.75%)
Agency's proportionate share of the net pension liability	\$ 13,553,967	\$ 10,570,668	\$ 8,095,498

**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 L. SUBSEQUENT EVENTS**

The Agency has evaluated for consideration of recognition or disclosure, subsequent events that have occurred through the date of issuance of its financial statements, January 19, 2017. Singing River Regional Facilities Foundation has resolved to begin dissolution and hopes to have it complete by June 30, 2017. They will be discontinuing the lease and debt payments made by the Agency as of December 31, 2016. While the dissolution plan is not complete, it is probable that remaining real property and funds will be turned over to the Agency upon dissolution.



**Component Unit**  
**Singing River Health System**

Notes to the Financial Statements  
For the year ended September 30, 2016

## **Notes to Financial Statements**

### **1. Nature of Operations, Reporting Entity and Summary of Significant Accounting Policies**

#### ***Nature of operations and reporting entity***

Singing River Health System (the "Health System") is a multidimensional healthcare system consisting of:

- Singing River Hospital, a 435-bed hospital and related outpatient care and other facilities principally in Pascagoula, Mississippi.
- Ocean Springs Hospital, a 136-bed hospital and related outpatient care and other facilities principally located in Ocean Springs, Mississippi.
- Singing River Medical Park and Ocean Springs Medical Park, state-of-the-art outpatient services facilities designed to meet the specific needs of patients outside of the hospital setting. These buildings house radiology and imaging services, cardiac rehabilitation, physical therapy, neurosciences, a branch of The Regional Cancer Center, and the Health System's Healthplex.
- The Heart Center, which offers the most comprehensive cardiology program in the region.
- The Regional Cancer Center, which offers a comprehensive and integrated approach to cancer care comprised of expert medical and radiation oncologists, surgeons, radiologists, pharmacists, nurses and dietitians.
- Five primary care clinics located along the Mississippi Gulf Coast in Hurley, Pascagoula (two), Vancleave, Ocean Springs.

The Health System is a component unit of Jackson County, Mississippi, as defined by the Governmental Accounting Standards Board ("GASB"). The Health System's component unit relationship to the County is principally due to financial accountability as defined by the GASB. The Health System is operated by a nine-member Board of Trustees, seven of whom are appointed by the Board of Supervisors of Jackson County, Mississippi. Additionally, the chief-of-staff of the Health System serves on the Board.

#### ***Blended component units***

SRHS Ambulatory Services, Inc. ("SRHSAS") is a component unit of the Health System and is presented as a blended component unit as of September 30, 2016 in the Health System's financial statements. As the sole member of this not-for-profit organization, the Health System exerts control and has a financial benefit relationship. SRHSAS is operated by a Board of Directors, all of whom are appointed by the Health System's Board. As of September 30, 2016, SRHSAS holds a non-controlling 24.5% ownership interest in two ambulatory surgery centers, Mississippi Coast Endoscopy and Ambulatory Surgery Center, LLC ("MCEASC") and Ocean Springs Surgical and Endoscopy Center, LLC ("OSSEC"). Prior to a sale of controlling interest in the year ended September 30, 2016, SRHSAS was the 51% owner of MCEASC and OSSEC, both of which were consolidated subsidiaries of SRHSAS at September 30, 2015. See further discussion of the sale of controlling interest and deconsolidation of MCEASC and OSSEC at Note 16. All significant intercompany transactions have been eliminated.

Anesthesia Services, LLC, is a component unit of the Health System and is presented as a blended component unit as of September 30, 2016 in the Health System's financial statements. Anesthesia Services, LLC is a wholly owned subsidiary of the Health System, which provides management, scheduling and billing and collection services to certified registered nurse anesthetists. All significant intercompany transactions have been eliminated.

## **Singing River Health System Notes to Financial Statements**

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### ***Budgetary information***

The Health System is required by statute of the State of Mississippi to prepare a non-appropriated annual budget. The budget is not subject to appropriation and is therefore not required to be presented as supplementary information.

### ***Basis of accounting***

The Health System prepares its financial statements as a business-type activity in conformity with the applicable pronouncements of the GASB. The accompanying financial statements of the Health System have been prepared on the accrual basis of accounting using the economic resources measurement focus.

### ***Use of estimates***

The accounting estimates used in the preparation of the financial statements will change as new events occur, as more experience is acquired and as additional information is obtained. Future events and their effects cannot be predicted with certainty; accordingly, our accounting estimates require the exercise of judgment. In particular, laws and regulations governing Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a possibility that recorded estimates related to these programs will change by a material amount in the near term.

### ***Cash and cash equivalents***

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less when purchased.

### ***Investments and investment income***

Investments are carried at fair value, principally based on quoted market prices. Investment income from investments is reported as nonoperating revenue.

### ***Patient accounts receivable***

Patient accounts receivable are reported at net realizable value, after deduction of allowances for estimated uncollectible accounts and third-party contractual discounts. The allowance for uncollectible accounts is based on historical allowances and an analysis of currently outstanding amounts. This account is generally increased by charges to a provision for uncollectible accounts, and decreased by write-offs of accounts determined by management to be uncollectible. The allowances for third-party discounts are based on the estimated differences between the Health System's established rates and the actual amounts to be received under each contract. Changes in estimates by material amounts are reasonably possible in the near term.

### ***Inventories***

Inventories, consisting principally of medical supplies and pharmaceuticals, are stated at the lower of cost (first-in, first-out) or replacement market.

### ***Funds held by trustees***

Funds held by trustees include funds held for debt service, self-insurance funding, and pension funding.

Funds held by trustees for debt service under debt agreements that are required for obligations classified as current liabilities are reported as current assets.

***Capital assets, net***

Capital assets are recorded at cost or, if donated, at fair value at the date of receipt. Depreciation is provided over the useful life of each class of depreciable asset using the straight-line method. Capital assets under capital lease obligations are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the equipment. Major renewals and renovations are capitalized. Costs for repairs and maintenance are expensed when incurred. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and the gain or loss, if any, is included in nonoperating revenues (expenses) in the statements of revenues, expenses and changes in net position.

All capital assets other than land are depreciated or amortized (in the case of capital leases) using these asset lives:

Land improvements	5 - 25 years
Buildings and improvements	10 - 40 years
Fixed equipment	5 - 25 years
Movable equipment	3 - 20 years

Capital assets are reviewed for impairment when service utility has declined significantly and unexpectedly. If such assets are no longer used, they are reported at the lower of carrying value or fair value. If such assets will continue to be used, the impairment loss is measured using a historical cost approach method that best reflects the diminished service utility of the capital asset. An impairment loss of \$1,957,979 was recognized during the year ended September 30, 2016.

***Cost of borrowing***

Bond issuance costs are expensed as incurred. Deferred loss on refunding, and bond discounts and premiums are being amortized over the terms of the related indebtedness using the interest method.

Interest cost is capitalized on qualified construction expenditures as a component of the cost of the related projects. No interest cost was capitalized in 2016 and 2015.

***Compensated absences***

The Health System's employees accumulate paid time off, such as vacation, holiday and sick leave, at varying rates depending upon their years of continuous service and their payroll classification, subject to maximum limitations. Upon termination of employment, employees are paid all unused accrued vacation and holiday time at their regular rate of pay up to a designated maximum number of days. Since the employees' vacation and holiday time both accumulate and vest, an accrual for this liability is included in accrued payroll and employee benefits.

***Deferred outflows and inflows of resources***

Deferred outflows and inflows of resources represent the consumption and acquisition, respectively, of net position that applies to future periods.

***Net position***

Net position of the Health System is classified into the following components:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of any borrowings used to finance the purchase or construction of those assets. To the extent debt has been incurred but not yet expended for capital assets, such debt is excluded from the calculation of net investment in capital assets.

Net position restricted for debt service is amounts deposited with trustees as required by bond indentures or debt agreements.

## **Singing River Health System Notes to Financial Statements**

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Unrestricted net position is remaining net position that does not meet the definition of invested in capital assets, net of related debt or restricted.

### ***Patient service revenues***

The Health System has agreements with third-party payors that provide for payments to the Health System at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per-diem payments. Patient service revenue is reported at estimated net realizable amounts from patients, third-party payors and others for services rendered, and includes estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are considered in the recognition and accrual of revenue on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

### ***Charity care***

The Health System provides medical care without charge or at a reduced charge to patients who meet certain criteria under its charity care policy. Because the Health System does not pursue collection of amounts determined to qualify as charity care, these charges are not reported as net patient service revenue and are written off as charity care.

### ***Electronic health record incentive payments***

The American Recovery and Reinvestment Act of 2009 provides for Medicare and Medicaid incentive payments beginning in 2011 for eligible hospitals and professionals that adopt and meaningfully use certified electronic health record ("EHR") technology. The Health System must also attest to certain criteria in order to qualify to receive the incentive payments. The amount of the incentive payments are calculated using predetermined formulas based on available information, primarily related to discharges and patient days. The Health System recognizes revenues related to Medicare incentive payments ratably over each EHR reporting period (October 1 to September 30) when it has demonstrated meaningful use requirements of certified EHR technology for the EHR reporting period. The Health System recognizes Medicaid incentive payments in the period that it qualifies for the funds based on the provisions of the Division of Medicaid ("DOM").

The Health System recognized approximately \$1,118,000 and \$303,000, respectively, of revenues related to the Medicare incentive program for the years ended September 30, 2016 and 2015, respectively. This revenue is reflected in other revenues on the accompanying statement of revenues, expenses and changes in net position.

The Health System's attestation of demonstrating meaningful use is also subject to review by the appropriate government authorities. The amount of revenue recognized is based on management's best estimate, which is subject to change. Such changes would be reflected in the period in which changes occur.

### ***Statements of revenues, expenses and changes in net position***

For purposes of presentation, transactions deemed by management to be ongoing, major or central to the provision of healthcare services, other than financing costs, are reported as operating revenues and operating expenses. Peripheral or incidental transactions, such as net investment income, interest expense, minority interests, grants from others and gain (loss) on disposal of capital assets, are reported as nonoperating revenues and expenses.

### ***Income taxes***

The Health System is a not-for-profit entity as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Code. The Health System is also a political subdivision of Jackson County, Mississippi and is operated as a community hospital under related statutes of the State of Mississippi.

### ***Reclassifications***

Certain reclassifications have been made to the 2015 financial statements included herein to conform to the 2016 presentation.

## **2. Adoption of New Accounting Policies**

During the year ended September 30, 2016, the System implemented Governmental Accounting Standards Board ("GASB") Statement No. 72, *Fair Value Measurement and Application*, which, among other things, provides guidance for determining a fair value measurement for financial reporting purposes, guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

As a result of the retroactive application of this guidance, additional disclosures have been presented related to amounts previously reported as of and for the year ended September 30, 2015. See additional disclosures in Note 17.

## **3. Patient Service Revenue**

The Health System has agreements with governmental and other third-party payors that provide for reimbursement to the Health System at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Health System's billings at established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with major third-party payors follows:

- Medicare – Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to the patient classification system that is based on clinical, diagnostic and other factors. Inpatient services are paid under the traditional Part A plan or managed care (Medicare Advantage) negotiated rates under Part C. Outpatient services related to Medicare beneficiaries are reimbursed through a prospective payment system commonly known as Ambulatory Payment Classification ("APC"). Under the APC system, certain medical devices and drugs are reimbursed at cost or average wholesale price. Long-term care services are reimbursed under a prospective payment system that considers the Medicare beneficiaries' severity of illness among other clinical factors. Inpatient non-acute services are paid based on a prospective payment system. The Health System is reimbursed for cost-reimbursable items at a tentative rate, with final settlement determined after submission and review by the fiscal intermediary of annual cost reports. Revenue from the Medicare program accounted for approximately 49 and 50 percent of the Health System's net patient service revenue for the year ended September 30, 2016 and 2015, respectively.
- Medicaid – Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed based upon a prospective reimbursement methodology. The Health System is reimbursed at a prospective rate, which is adjusted annually based on published market basket update. Revenue from the Medicaid program accounted for approximately 12 percent of the Health System's net patient service revenue for years ended September 30, 2016 and 2015.

The Health System participates in the Mississippi Intergovernmental Transfer Program as a Medicaid Disproportionate Share Hospital ("DSH") and in the Mississippi Hospital Access Payment Program ("MHAP"). DSH funds are distributed in December, March and June. Under MHAP, taxes are assessed and funds are distributed on a monthly basis. Prior to the year ended September 30, 2016, the Health System participated in the DSH and in the Medicaid Upper Payment Limit Program ("UPL") under which the Division of Medicaid (DOM) had combined

## **Singing River Health System**

### **Notes to Financial Statements**

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the disproportionate share, upper payment limit and the general assessment taxes used for the DSH/UPL model, determined an overall tax assessment, collected the tax and distributed the funds in December, March and June.

Under these programs, the Health System receives enhanced reimbursement through a matching mechanism. For the years ended September 30, 2016 and 2015, the Health System received approximately \$17,090,000 and \$17,957,000, respectively, in enhanced reimbursement through the DSH program. DSH amounts are recorded as a reduction of contractual adjustments. The net benefit to the Health System associated with participation in the MHAP/UPL program was approximately \$4,459,000 and \$4,249,000 for the years ended September 30, 2016 and 2015, respectively. MHAP/UPL amounts, net of related tax assessments of approximately \$12,253,000 and \$12,440,000 for the years ended September 30, 2016 and 2015, respectively, are also shown as a reduction of contractual adjustments. There can be no assurance that the Health System will continue to qualify for future participation in these programs or that the programs will not ultimately be discontinued or materially modified.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Health System recorded a decrease of approximately \$(988,000) and an increase of \$1,654,000 to net patient service revenue for the fiscal years ended September 30, 2016 and 2015, respectively, as a result of changes of prior fiscal year estimates of cost report settlements. The Health System has also entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to the Health System under these agreements includes prospectively determined rates and discounts from established charges and prospectively determined per diem rates.

The composition of net patient service revenue are as follows for the years ended September 30:

	<u>2016</u>	<u>2015</u>
Gross patient service revenue	\$1,800,796,641	\$1,840,897,730
Less provision for contractual and other adjustments	(1,376,853,948)	(1,392,512,525)
Less provision for bad debts	<u>(89,514,901)</u>	<u>(111,699,602)</u>
Net patient service revenue	<u>\$ 334,427,792</u>	<u>\$ 336,685,603</u>

#### **4. Charity Care**

The Health System maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy, the estimated costs of these services and supplies, and equivalent service statistics. Charges foregone, based on established rates, were approximately \$50,094,000 and \$41,209,000 for the years ended September 30, 2016 and 2015, respectively. The estimated costs and expenses incurred to provide charity care were approximately \$19,882,000 and \$16,346,000 for the years ended September 30, 2016 and 2015, respectively.

**Singing River Health System**  
**Notes to Financial Statements**

**5. Capital Assets**

Capital assets and related activity consisted of the following for the year ended September 30, 2016:

	Balance September 30, 2015	Additions	Retirements/ Transfers and Impairment	Deconsolidation of Surgery Centers	Balance September 30, 2016
Capital assets not being depreciated:					
Land	\$ 7,461,539	\$ -	\$ (1,864,250)	\$ -	\$ 5,597,289
Construction in progress	3,667,455	10,652,527	(1,697,733)	-	12,622,249
Total capital assets not being depreciated	11,128,994	10,652,527	(3,561,983)	-	18,219,538
Capital assets being depreciated:					
Land improvements	6,363,671	-	-	-	6,363,671
Buildings and improvements	212,741,738	423,610	(93,729)	(8,510,171)	204,561,448
Fixed equipment	14,511,199	13,161	-	(577,979)	13,946,381
Movable equipment	240,689,051	2,411,913	(1,574,700)	(7,849,273)	233,676,991
Total capital assets being depreciated	474,305,659	2,848,684	(1,668,429)	(16,937,423)	458,548,491
Less accumulated depreciation for:					
Land improvements	4,103,858	251,036	-	-	4,354,894
Buildings and improvements	107,831,770	7,799,623	-	(8,309,024)	107,322,369
Fixed equipment	12,269,343	194,181	-	(514,198)	11,949,326
Movable equipment	175,524,582	11,532,800	(1,574,449)	(6,310,519)	179,172,414
Total accumulated depreciation	299,729,553	19,777,640	(1,574,449)	(15,133,741)	302,799,003
Capital assets being depreciated, net	174,576,106	(16,928,956)	(93,980)	(1,803,682)	155,749,488
Capital assets, net	\$ 185,705,100	\$ (6,276,429)	\$ (3,655,963)	\$ (1,803,682)	\$ 173,969,026



**Singing River Health System**  
**Notes to Financial Statements**

Capital assets and related activity consisted of the following for the year ended September 30, 2015:

	<u>Balance September 30, 2014</u>	<u>Additions</u>	<u>Retirements/ Transfers</u>	<u>Balance September 30, 2015</u>
Capital assets not being depreciated:				
Land	\$ 7,461,539	\$ -	\$ -	\$ 7,461,539
Construction in progress	<u>1,048,332</u>	<u>3,670,261</u>	<u>(1,051,138)</u>	<u>3,667,455</u>
Total capital assets not being depreciated	<u>8,509,871</u>	<u>3,670,261</u>	<u>(1,051,138)</u>	<u>11,128,994</u>
Capital assets being depreciated:				
Land improvements	6,328,701	56,630	(21,660)	6,363,671
Buildings and improvements	212,454,456	299,804	(12,522)	212,741,738
Fixed equipment	14,446,299	213,910	(149,010)	14,511,199
Movable equipment	<u>244,600,282</u>	<u>2,385,423</u>	<u>(6,296,654)</u>	<u>240,689,051</u>
Total capital assets being depreciated	<u>477,829,738</u>	<u>2,955,767</u>	<u>(6,479,846)</u>	<u>474,305,659</u>
Less accumulated depreciation for:				
Land improvements	3,857,108	268,410	(21,660)	4,103,858
Buildings and improvements	99,590,248	8,254,045	(12,523)	107,831,770
Fixed equipment	12,065,691	352,662	(149,010)	12,269,343
Movable equipment	<u>168,654,988</u>	<u>13,125,022</u>	<u>(6,255,428)</u>	<u>175,524,582</u>
Total accumulated depreciation	<u>284,168,035</u>	<u>22,000,139</u>	<u>(6,438,621)</u>	<u>299,729,553</u>
Capital assets being depreciated, net	<u>193,661,703</u>	<u>(19,044,372)</u>	<u>(41,225)</u>	<u>174,576,106</u>
Capital assets, net	<u>\$ 202,171,574</u>	<u>\$ (15,374,111)</u>	<u>\$ (1,092,363)</u>	<u>\$ 185,705,100</u>

Construction in progress as of September 30, 2016 consisted primarily of expenditures associated with the Singing River Hospital ("SRH") and Ocean Springs Hospital ("OSH") window and roof replacements that are part of the Mississippi Emergency Management Agency ("MEMA") grant, renovations to patient care areas, replacement of the SRH cooling tower system and OSH boiler replacement. The Health System has associated purchase commitments totaling approximately \$6,949,000 at September 30, 2016, which will be funded through grant proceeds and designated funds. All projects are expected to be completed in the year ended September 30, 2017.

## 6. Leases

The Health System was obligated under several capital leases at September 30, 2016. Scheduled future payments on capital lease obligations are as follows:

	<u>Principal</u>	<u>Interest</u>
2017	\$ 233,532	\$ 17,867
2018	130,678	9,697
2019	136,276	4,099
2020	12,593	123
2021	<u>-</u>	<u>-</u>
Total	<u>\$ 513,079</u>	<u>\$ 31,786</u>

**Singing River Health System**  
**Notes to Financial Statements**

A schedule of changes in the Health System's capital lease obligation balances for the year ended September 30, 2016 follows:

Description	Rate	Date of Issuance	Balance October 1, 2015	Additions	Retired	Deconsolidation of Surgery Centers	Balance September 30, 2016	Due Within One Year
<b>Subsidiary equipment leases</b>								
Facility Development, LLC	7.71%	10/1/2001	\$ 551,691	\$ -	\$ (459,743)	\$ (91,948)	\$ -	-
Hancock Bank	5.25%	12/10/2011	3,347	-	(2,789)	(558)	-	-
Hancock Bank	5.50%	4/10/2012	24,187	-	(20,156)	(4,031)	-	-
Hancock Bank	5.50%	4/20/2012	13,530	-	(11,275)	(2,255)	-	-
Hancock Bank	5.25%	12/10/2011	3,347	-	(2,789)	(558)	-	-
Hancock Bank	5.55%	4/10/2012	4,549	-	(3,791)	(758)	-	-
Hancock Bank	5.00%	11/30/2013	263,022	-	(65,534)	(197,488)	-	-
Hancock Bank	4.50%	2/10/2014	5,447	-	(4,539)	(908)	-	-
Hancock Bank	4.50%	6/20/2014	8,805	-	(7,338)	(1,467)	-	-
Hancock Bank	5.25%	9/10/2014	114,233	-	(18,429)	(95,804)	-	-
Hancock Bank	5.00%	12/30/2013	263,022	-	(65,534)	(197,488)	-	-
Hancock Bank	4.50%	6/20/2014	8,805	-	(7,337)	(1,468)	-	-
Hancock Bank	5.50%	11/10/2014	9,358	-	(3,631)	(5,727)	-	-
Hancock Bank	4.25%	5/20/2015	11,886	-	(9,905)	(1,981)	-	-
Hancock Bank	5.50%	12/17/2014	226,395	-	(40,996)	(185,399)	-	-
Hancock Bank	4.25%	2/20/2015	6,970	-	(5,808)	(1,162)	-	-
<b>Hospital equipment leases</b>								
GE Capital	4.20%	12/17/2014	525,881	-	(120,586)	-	405,295	125,748
GE Capital	4.20%	12/17/2014	272,063	-	(272,063)	-	-	-
Key Government	6.37%	10/01/2015	-	78,375	(61,289)	-	17,086	17,086
IBM	2.93%	2/20/2015	178,764	-	(88,066)	-	90,698	90,698
			<u>\$2,495,302</u>	<u>\$ 78,375</u>	<u>\$ (1,271,598)</u>	<u>\$ (789,000)</u>	<u>\$ 513,079</u>	<u>\$ 233,532</u>

A schedule of changes in the Health System's capital lease obligation balances for the year ended September 30, 2015 follows:

Description	Rate	Date of Issuance	Balance October 1, 2014	Additions	Retired	Balance September 30, 2015	Due Within One Year
<b>Subsidiary equipment leases</b>							
Facility Development, LLC	7.71%	10/1/2001	\$ 1,014,587	\$ -	\$ (462,896)	\$ 551,691	\$ 551,691
Hancock Bank	6.00%	3/10/2010	23,007	-	(23,007)	-	-
Hancock Bank	5.25%	5/20/2011	6,576	-	(6,576)	-	-
Hancock Bank	5.25%	4/10/2011	18,439	-	(18,439)	-	-
Hancock Bank	5.25%	12/10/2011	14,301	-	(10,954)	3,347	3,347
Hancock Bank	5.50%	4/10/2012	64,068	-	(39,881)	24,187	24,187
Hancock Bank	5.50%	4/20/2012	35,898	-	(22,368)	13,530	13,530
Hancock Bank	5.25%	12/10/2011	22,980	-	(19,633)	3,347	3,347
Hancock Bank	5.55%	4/10/2012	59,003	-	(54,454)	4,549	4,549
Hancock Bank	5.00%	11/30/2013	334,758	-	(71,736)	263,022	78,641
Hancock Bank	4.50%	2/10/2014	21,294	-	(15,847)	5,447	5,447
Hancock Bank	4.50%	6/20/2014	21,505	-	(12,700)	8,805	8,805
Hancock Bank	5.25%	9/10/2014	139,498	-	(25,265)	114,233	26,517
Hancock Bank	5.00%	12/30/2013	334,758	-	(71,736)	263,022	78,641
Hancock Bank	4.50%	6/20/2014	21,505	-	(12,700)	8,805	8,805
Hancock Bank	5.50%	11/10/2014	-	12,491	(3,133)	9,358	4,357
Hancock Bank	4.25%	5/20/2015	-	20,209	(8,323)	11,886	11,886
Hancock Bank	5.50%	12/17/2014	-	261,680	(35,285)	226,395	49,195
Hancock Bank	4.25%	2/20/2015	-	20,637	(13,667)	6,970	6,970
<b>Hospital equipment leases</b>							
GE Capital	4.20%	12/17/2014	-	663,335	(137,454)	525,881	120,164
GE Capital	4.20%	12/17/2014	-	340,034	(67,971)	272,063	272,063
IBM	2.93%	2/20/2015	-	272,156	(93,392)	178,764	88,083
			<u>\$ 2,132,177</u>	<u>\$ 1,590,542</u>	<u>\$ (1,227,417)</u>	<u>\$ 2,495,302</u>	<u>\$ 1,360,225</u>

**Singing River Health System**  
**Notes to Financial Statements**

Capital assets totaling approximately \$1,353,900 and \$9,071,067 are related to the above capital lease obligations at September 30, 2016 and 2015, respectively. Related accumulated amortization was approximately \$830,576 and \$6,229,169 at September 30, 2016 and 2015, respectively.

Rental expense for all operating leases was approximately \$5,836,000 and \$6,195,000 for the years ended September 30, 2016 and 2015, respectively. There are no significant noncancelable operating leases at September 30, 2016. Management expects that most lease agreements will be replaced, as they expire, with similar agreements.

**7. Cash, Cash Equivalents and Investments**

The Health System's bank balances are as follows at September 30:

	<u>2016</u>	<u>2015</u>
Deposits insured by the FDIC	\$ 783,090	\$ 1,000,000
Deposits uninsured, uncollateralized, or collateralized by securities held by the pledging institution or by its trust department or agent in other than the Health System's name	<u>77,981,515</u>	<u>59,917,315</u>
Total	<u>\$ 78,764,605</u>	<u>\$ 60,917,315</u>
Carrying amount (cash and cash equivalents)	<u>\$ 76,464,052</u>	<u>\$ 55,216,997</u>

The Health System owns certain investments recorded in investments, trustee bond funds, held by trustee for self-insurance funding and held by trustee for pension funding on the statement of net position. A summary of these investments follows for September 30:

	<u>2016</u>	<u>2015</u>
Money market investments	\$ 3,603,539	\$ 2,510,332
Money market funds	15,812,945	7,672,905
U.S. Government obligations	6,963,647	2,443,753
Municipal obligations	823,247	-
Mortgage backed securities	1,687,501	-
Guaranteed contracts	<u>3,145,160</u>	<u>3,145,160</u>
	<u>\$ 32,036,039</u>	<u>\$ 15,772,150</u>

Investment securities are exposed to various risks such as interest rate, market, and credit risks. The Health System has implemented a formal investment policy to limit exposure to these risks. The goals of the investment policy are (1) safety of principal, (2) liquidity, and (3) yield. The investment policy calls sets the following guidelines:

1. Maturity – the maximum effective average maturity of the overall portfolio shall be 3 years and no single security shall have an effective maturity greater than 5 years.
2. Quality – securities shall at time of purchase be rated "A" or better by either S&P or Moody's rating service.
3. Diversification – investments in non-Treasury or Agency issuers shall be limited to a maximum of 5 percent.

**Singing River Health System**  
**Notes to Financial Statements**

**Interest rate risk**

In accordance with its investment policy, the Health System manages its exposure to declines in fair value by limiting the maximum effective maturity of its investment portfolio to less than 3 years. As of September 30, 2016, the Health System's investments had the following maturities:

<u>Investment Type</u>	<u>Fair or Contract Value</u>	<u>&lt; 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>&gt; 10</u>
Money market investments	\$ 3,603,539	\$ 3,603,539	\$ -	\$ -	\$ -
Money market funds	15,812,945	15,812,945	-	-	-
U.S. Government obligations	6,963,647	505,900	6,457,747	-	-
Municipal obligations	823,247	-	823,247	-	-
Mortgage-backed securities	1,687,501	-	557,175	523,182	607,144
Guaranteed contracts	3,145,160	-	-	3,145,160	-
	<u>\$ 32,036,039</u>	<u>\$ 19,922,384</u>	<u>\$ 7,838,169</u>	<u>\$ 3,668,342</u>	<u>\$ 607,144</u>

**Custodial credit risk**

Custodial credit risk is the risk that, in the event of a bank failure, an organization's deposits may not be returned. The Health System has a deposit policy for custodial credit risk that requires deposits to be collateralized by securities held by the pledging institution or its trust department or agent in other than the Health System's name.

**Credit risk**

The Health System's investment policy limits investments to those rated "A" or better by either S&P or Moody's at the time of purchase. Credit quality distributions for investments, with credit exposure as a percentage of total investments are as follows at year end:

<u>Investment Type</u>	<u>Rating</u>	<u>Percentage</u>
Money market investments	Not rated	11%
Money market funds	Aaa	49%
U.S. Government obligations	*	22%
Municipal obligations	Aa2	3%
Mortgage-back securities	Aaa	5%
Guaranteed investment contract	A2	10%

\*Guaranteed by the full faith and credit of the United States Government

Various funds were established in accordance with the requirements of the indentures related to the Series 2009A, Series 2009B and Series 2011 Bonds discussed in Note 8. A summary of the funds are as follows for September 30:

	<u>2016</u>	<u>2015</u>
Reserve funds – long term	\$ 7,153,988	\$ 7,701,820
Principal and interest funds – current	3,297,257	2,774,860
Capital improvement funds – long term	<u>2,788,938</u>	<u>2,785,138</u>
	<u>\$ 13,240,183</u>	<u>\$ 13,261,818</u>

**Singing River Health System**  
**Notes to Financial Statements**

The reserve funds are generally equal to the maximum annual principal and interest requirements (as defined) for the revenue bonds. The principal and interest funds are for the annual debt service of the revenue bonds. The capital improvement funds represent proceeds of the revenue bonds to be used to fund costs of construction and installation of equipment and facilities. Deposits classified as current assets represent funds to be used to pay debt service and cost of issuance amounts classified as current liabilities at September 30, 2016.

Investment income is comprised of the following at September 30:

	<u>2016</u>	<u>2015</u>
Dividend and interest income	\$ 152,284	\$ 142,537
Net increase in the fair value of investments	<u>201,219</u>	<u>179,949</u>
	<u>\$ 353,503</u>	<u>\$ 322,486</u>

## **8. Long-Term Debt**

A summary of long-term debt based on contractual requirements is as follows at September 30:

	<u>2016</u>	<u>2015</u>
Mississippi Development Bank Special Obligation Bonds – Series 2011	\$ 29,230,000	\$ 31,700,000
Plus unamortized bond premium	<u>876,638</u>	<u>793,486</u>
	<u>30,106,638</u>	<u>32,493,486</u>
Mississippi Development Bank Special Obligation Bonds – Series 2009A	30,865,000	\$ 31,580,000
Less unamortized bond discount	<u>(737,856)</u>	<u>(789,018)</u>
	<u>30,127,144</u>	<u>30,790,982</u>
Mississippi Development Bank Special Obligation Refunding Bonds – Series 2009B	27,820,000	\$ 31,185,000
Less unamortized bond discount	<u>(86,785)</u>	<u>(109,617)</u>
	<u>27,733,215</u>	<u>31,075,383</u>
	87,966,997	94,359,851
Less current installments, based on contractual terms	<u>6,835,000</u>	<u>6,550,000</u>
Long-term debt, excluding current contractual installments	<u>\$ 81,131,997</u>	<u>\$ 87,809,851</u>

On April 2, 2009, the Health System issued \$35,000,000 of Special Obligation Bonds (the Series 2009A Bonds) through Mississippi Development Bank ("MDB"). The purpose of the bonds was to provide funding for constructing, remodeling, adding to, equipping and furnishing an addition to and expansion of the Health System, funding a debt service reserve fund for the Series 2009A bonds and paying cost of issuance on the Series 2009A bonds. The bonds consist of \$6,455,000 of serial bonds and \$28,545,000 term bonds bearing fixed rates ranging from 3.0 percent to 5.625 percent secured by a bond insurance policy provided by Assured Guaranty.

On October 27, 2009 the Health System refunded the Series 2008A bonds, outstanding in the amount of \$44,000,000, with the Series 2009 B-1 and 2009 B-2 bonds. The Series 2009 B-1 and 2009 B-2 bonds bearing fixed

## **Singing River Health System Notes to Financial Statements**

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rates ranging from 2.0 percent to 5.0 percent secured by a bond insurance policy provided by Assured Guaranty and a five mill pledge of the assessed real and personal property by Jackson County.

The Series 2009 B-1 and B-2 Bonds were issued by the MDB as fixed interest rate securities and pay interest semiannually (January 1 and July 1) and principal annually (July 1 with the exception of the 2023 payment which is March 1). The Series 2009 B-1 Bonds of \$48,340,000 mature on March 1, 2023 and the Series 2009 B-2 Bonds of \$2,395,000 matured on July 1, 2012.

On July 27, 2011, the Health System issued \$36,610,000 of Special Obligation Bonds (the Series 2011 Bonds). The purpose of the 2011 Bonds was to provide funding for an electronic medical record system, constructing, remodeling, adding to, equipping and furnishing an addition to and expansion of the Health System, funding a debt service reserve fund, paying capitalized interest and paying costs of issuance on the Series 2011 Bonds. The bonds are fixed rate bonds secured by a bond insurance policy provided by Assured Guaranty and a five mill pledge of the assessed real and personal property by Jackson County. The Series 2011 Bonds were issued by the MDB and pay interest semiannually (January 1 and July 1) and principal annually (July 1). The bonds consist of \$28,255,000 Serial Bonds maturing on July 1, 2023, \$4,490,000 of Term Bonds maturing on July 1, 2031 and \$3,865,000 of Term Bonds maturing on July 1, 2036 and are at fixed rates ranging from 3.0 percent to 5.375 percent.

With respect to the 2011 Bond projects, one of the projects, a "Chiller/Electrical Plant" at Singing River Hospital in Pascagoula, for which the financing was obtained, was not completed. Some of the proceeds were used for other capital projects that management at the time apparently deemed more critical, including electrical upgrades, switchgear, and other improvements. The Chiller/Electrical Plant at the Pascagoula hospital is currently under construction with estimated full completion in 2018. Some components of the project have been completed as of this date, including architectural and engineering, bulk oxygen facility, emergency power switchgear, life safety generators, automatic transfer switches, some normal power electrical switch and control work, and piping for the chilled and condenser water. The full bid has been released for the completion of normal power switchgear, with expected completion in April. The cooling tower is on order, with bids being advertised for installation of same in two and half weeks for expected completion in September. The chiller plant will be bid in the fall for estimated completion in 2018.

As the Health System is a political subdivision of the State of Mississippi and is owned by Jackson County, Mississippi (the "County"), legally available mills have been pledged by the County as additional security for the 2009 and 2011 Revenue Bonds. To date, no such mills have been levied to support these or any other borrowings of the Health System.

Under the terms of the respective loan agreements in connection with the Series 2009 Bonds and Series 2011 Bonds, the Health System is obligated to meet certain financial covenants on March 31<sup>st</sup> and September 30<sup>th</sup> of each year, including availability of cash, debt service coverage and limitations on additional debt. On July 15, 2014, the loan agreements were amended to state that a failure to comply with the financial covenants set forth in the bond agreements are not events of default. Rather, the amendments provide that the Bond Insurer may determine, at their sole discretion, whether a financial covenant violation constitutes an event of default. The Health System was in compliance with required days cash on hand and minimum debt service coverage financial covenants at September 30, 2016.

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Debt service requirements associated with the Health System's long-term debt are as follows at September 30, 2016:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 6,835,000	\$ 4,263,194	\$ 11,098,194
2018	7,135,000	4,033,894	11,168,894
2019	7,420,000	3,823,131	11,243,131
2020	7,745,000	3,576,619	11,321,619
2021	8,105,000	3,315,819	11,420,819
2022 – 2026	22,095,000	10,000,477	32,095,477
2027 – 2031	9,620,000	6,859,613	16,479,613
2032 – 2036	12,520,000	3,967,438	16,487,438
2037 – 2041	<u>6,440,000</u>	<u>737,717</u>	<u>7,177,717</u>
	<u>\$ 87,915,000</u>	<u>\$ 40,577,902</u>	<u>\$ 128,492,902</u>

At September 30, 2016, long-term debt, including additions and reductions, consisted of the following:

<u>Description</u>	<u>Date of Issuance</u>	<u>Balance October 1, 2015</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance September 30, 2016</u>	<u>Due Within One Year</u>
Series 2009B	10/27/2009	31,185,000	-	(3,365,000)	27,820,000	3,500,000
Series 2009A	4/2/2009	31,580,000	-	(715,000)	30,865,000	745,000
Series 2011	7/27/2011	<u>31,700,000</u>	<u>-</u>	<u>(2,470,000)</u>	<u>29,230,000</u>	<u>2,590,000</u>
		<u>\$ 94,465,000</u>	<u>\$ -</u>	<u>\$ (6,550,000)</u>	<u>\$87,915,000</u>	<u>\$ 6,835,000</u>

At September 30, 2015, long-term debt, including additions and reductions, consisted of the following:

<u>Description</u>	<u>Date of Issuance</u>	<u>Balance October 1, 2014</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance September 30, 2015</u>	<u>Due Within One Year</u>
Series 2009B	10/27/2009	34,420,000	-	(3,235,000)	31,185,000	3,365,000
Series 2009A	4/2/2009	32,270,000	-	(690,000)	31,580,000	715,000
Series 2011	7/27/2011	<u>34,055,000</u>	<u>-</u>	<u>(2,355,000)</u>	<u>31,700,000</u>	<u>2,470,000</u>
		<u>\$100,745,000</u>	<u>\$ -</u>	<u>\$ (6,280,000)</u>	<u>\$94,465,000</u>	<u>\$ 6,550,000</u>

## 9. Pension Plan

### *General information about the pension plan*

*Plan description.* The Health System's defined benefit pension plan, Singing River Health System Employees' Retirement Plan and Trust (the "Pension Plan"), provides pensions for certain full-time employees of the Health System that were employed prior to October 1, 2011. The Pension Plan is a single-employer defined benefit pension plan administered by the Health System.

*Benefits provided.* The Pension Plan provides retirement, disability, and death benefits. Retirement benefits are calculated as a percentage of the employee's highest average monthly salary during any nineteen consecutive quarters of compensation during the forty consecutive quarters of employment immediately preceding the date of termination, plus the last quarter of employment compensation ("Average Monthly Compensation"). Normal retirement benefits are calculated as the sum of a) 1.625 percent of Average Monthly Compensation multiplied by

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years of credited service, up to twenty years, b) 1.75 percent of Average Monthly Compensation multiplied by years of credited service in excess of twenty years, up to thirty years, c) 2 percent of Average Monthly Compensation multiplied by years of credited service in excess of thirty years. Average Monthly Compensation is reduced by 50 percent in calculating benefits for participants with less than twenty years of service. In no case is the amount of normal retirement benefit to be less than years of credited service multiplied by five dollars.

Employees with ten years of credited service are eligible for normal retirement at age 65, or early retirement at age 60. The amount of early retirement benefit is equal to normal retirement benefit, reduced by 3 percent for each year that commencement precedes the normal retirement date. A participant with thirty years or more of credited service may commence early retirement without any reductions. Employees are eligible for disability benefits after 10 years of service if they are eligible for Social Security Disability. Disability retirement benefits are determined using final average earnings at the date of disability and the amount of service that would have been accrued if the participants worked to the later of the age of sixty or the date of disability, reduced 3 percent for each year that commencement precedes the normal retirement date, up to 15 percent. Death benefits equal the amount that would have been paid had the participant separated from service on the date of death and retired with a 100 percent qualified joint and survivor annuity, reduced 3 percent for each year the date of death precedes the normal retirement date. An employee who terminates service may withdraw his or her contributions, plus any accumulated interest.

Benefit terms provide for annual cost-of-living adjustments subsequent to the employee's retirement date. The annual adjustments are one-half of the change in the Consumer Price Index, limited to a maximum increase in retirement allowance of 2.5 percent

*Employees covered by benefit terms.* At September 30, 2016 and 2015, the following employees were covered by the benefit terms:

	<u>2016</u>	<u>2015</u>
Inactive employees or beneficiaries currently receiving benefits	688	618
Inactive employees entitled to but not yet receiving benefits	156	147
Inactive employees not entitled to benefits but with employee contributions	947	949
Active employees	<u>1,154</u>	<u>1,429</u>
	<u><u>2,945</u></u>	<u><u>3,143</u></u>

Effective October 1, 2011, the Pension Plan was amended to freeze entry to new participants. Effective November 20, 2014, the Health System froze benefit accruals for all Pension Plan participants.

*Contributions.* As a governmental entity, the Health System is exempt from the requirements of the Employee Retirement Income Security Act of 1974, and is otherwise not required by law or statute to make annual contributions to the Plan. The Health System did not make any contributions to the Pension Plan during the years ended September 30, 2016 and 2015.

Through November 2014, active participants were required to contribute 3 percent of annual pay to the Pension Plan. Effective November 20, 2014, the Pension Plan was amended whereby employee contributions ceased subsequent to the first payroll period paid in December 2014.

***Net pension liability***

The Health System's net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2015.

*Actuarial assumptions.* The total pension liability in the October 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:



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Cost of living increases	1.25%
Salary increases	~%
Investment rate of return	6.5%

Mortality rates were based on the RP-2014 Employee and Healthy Annuitant Mortality Tables adjusted back to 2006, then projected forward with Scale MP-2016 for all years.

The long-term expected rate of return on pension plan investments was determined based on input provided by the investment advisor regarding expected returns and standard deviations by asset class and a decision by the plan sponsor to select a conservative expected return within that model.

*Discount rate.* The discount rate used to measure the total pension liability at September 30, 2016 was 3.27 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will not be made in the future and that Health System contributions will be made at actuarially determined rates. Based on those assumptions, the pension plan's fiduciary net position was projected not to be available to make all projected future benefit payments of current active and inactive employees. Therefore, a blended rate of that utilizes the long-term expected rate of return on the Pension Plan investments of 6.5 percent and the twenty-year general obligation Federal Reserve Bond Buyer Index rate ("Muni Bond Rate") of 3.06 percent was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate changed from the rate of 3.93 percent used at the previous measurement date at September 30, 2015 due to changes in the Muni Bond Rate.

***Changes in the net pension liability***

The following represents the changes in the net pension liability as of September 30, 2016:

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
Interest	\$ 17,011,106	\$ -	\$ 17,011,106
Differences between expected and actual experience	(10,199,979)	-	(10,199,979)
Net investment income	-	8,918,860	(8,918,860)
Changes of assumptions	29,972,888	-	29,972,888
Benefit payments, including refunds of employee contributions	(15,023,227)	(15,023,227)	-
Administrative expense	-	(677,633)	677,633
Net change	21,760,788	(6,782,000)	28,542,788
Balance at October 1, 2015	441,868,300	137,413,000	304,455,300
Balance at September 30, 2016	<u>\$463,629,088</u>	<u>\$130,631,000</u>	<u>\$332,998,088</u>

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**Notes to Financial Statements**

The following represents the changes in the net pension liability as of September 30, 2015:

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
Service cost	\$ 1,636,685	\$ -	\$ 1,636,685
Interest	17,939,427	-	17,939,427
Changes in benefit terms	(77,583,377)	-	(77,583,377)
Differences between expected and actual experience	-	-	-
Contributions - employer	-	-	-
Contributions - employee	-	395,038	(395,038)
Net investment income	-	1,750,750	(1,750,750)
Changes of assumptions	22,058,366	-	22,058,366
Benefit payments, including refunds of employee Contributions	(14,368,870)	(14,368,870)	-
Administrative expense	-	(557,024)	557,024
Net change	(50,317,769)	(12,780,106)	(37,537,663)
Balance at October 1, 2014	492,186,069	150,193,105	341,992,964
Balance at September 30, 2015	<u>\$441,868,300</u>	<u>\$137,412,999</u>	<u>\$304,455,301</u>

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the Health System, calculated using the discount rate of 3.27 percent, as well as what the Health System's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

<b><u>Sensitivity</u></b>	<b><u>Discount Rate</u></b>	<b><u>Net Pension Liability</u></b>
Current discount rate	3.27%	\$ 332,998,088
1% decrease in discount rate	2.27%	\$ 416,171,043
1% increase in discount rate	4.27%	\$ 268,149,542

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

***Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions***

For the years ended September 30, 2016 and 2015, the Health System recognized (contra) pension expense of approximately \$22,169,000 and (\$59,975,000), respectively. (Contra) pension expense for the year ended September 30, 2015 includes the effect of the benefit accrual freeze of approximately \$77,583,000. Excluding the effect of this curtailment, pension expense totaled approximately \$17,608,000.

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**Notes to Financial Statements**

At September 30, 2016, the Health System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 7,226,224
Changes of other assumptions or other inputs	31,980,821	-
Net difference between projected and actual earnings on pension plan investments	<u>4,526,034</u>	<u>470,150</u>
	<u>\$ 36,506,855</u>	<u>\$ 7,696,374</u>

At September 30, 2015, the Health System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>
Changes of assumptions	\$ 16,402,375
Net difference between projected and actual earnings on investments	<u>6,034,714</u>
Total	<u>\$ 22,437,089</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

<u>Year ended September 30:</u>	
2017	\$ 12,811,828
2018	12,246,230
2019	3,869,959
2020	(117,536)
2021	-
Thereafter	-

## **10. Postemployment Healthcare Plan**

Singing River Health System Postretirement Medical Plan (the "Health Plan") is a single-employer defined benefit healthcare plan sponsored and administered by the Health System. The Health Plan provides medical and drug benefits to eligible retirees and their spouses. The Health System's Board of Trustees is authorized to establish and amend all provisions. The Health System does not issue a publicly available financial report that includes financial statements and required supplementary information for the Health Plan.

During the year ended September 30, 2016, the Health System Board resolved to terminate the Health Plan effective January 1, 2017. As no participants remained in the Health Plan at September 30, 2016, the net postemployment benefit obligation is \$0.

**Singing River Health System**  
**Notes to Financial Statements**

***Funding policy***

The contribution requirements of employees and the Health System are established and may be amended by the Health System's Board of Trustees. Monthly contributions are required by retirees who are eligible for coverage. The Health System pays for costs in excess of required retiree contributions. The required contribution for the Health Plan is based on projected pay-as-you-go financing requirements. During fiscal year 2016 there were no contributions from the Health System or Health Plan members to the Health Plan.

Monthly contributions required by retirees depend on the service period at time of retirement (less than 20 years vs. 20 years or more) and the type of coverage (single or family). Contributions equal the full blended premium rates developed by the Health System. As there were no Health Plan members, no contributions were made in 2016.

***Annual OPEB cost and net OPEB obligation***

The Health System's annual other postemployment benefit ("OPEB") cost (benefit) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of 6.678 years. The following table shows the components of the Health System's annual OPEB cost for the year, the amount actually contributed to the Health Plan and changes in the Health System's net OPEB obligation:

	<u>2016</u>	<u>2015</u>
Annual OPEB cost (benefit)	\$ (13,977,882)	\$ (1,331,158)
Contributions	-	(223,461)
Decrease in net OPEB obligation	(13,977,882)	(1,554,619)
Net OPEB obligation, beginning of year	<u>13,977,882</u>	<u>15,532,501</u>
Net OPEB obligation, end of year	<u>\$ -</u>	<u>\$ 13,977,882</u>

***Three-year trend information***

<u>Fiscal Year Ended</u>	<u>Annual OPEB cost (Benefit)</u>	<u>Percentage of Annual OPEB cost Contributed</u>	<u>Net OPEB Obligation</u>
September 30, 2014	\$ (2,245,307)	(15)	15,532,501
September 30, 2015	(1,331,158)	(17)	13,977,882
September 30, 2016	(13,977,882)	-	-

***Funded status and funding progress***

As of October 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$0, resulting in an unfunded actuarial accrued liability ("UAAL") of \$0. The UAAL was significantly different from the recorded net OPEB obligation at September 30, 2015 due to the increase in retiree premiums and reduction in participants. The net OPEB obligation was being amortized over the expected remaining life of the Health Plan. Upon the resolution of the Board to terminate, the net OPEB obligation was reduced to \$0.

***Prior year actuarial methods and assumptions***

Projections of benefits for financial reporting purposes were based on the substantive Health Plan (the Health Plan as understood by the employer and the Plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Health Plan members to that point. The actuarial methods and assumptions used included techniques that were designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

## Singing River Health System Notes to Financial Statements

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In the October 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses), which is a long-term rate of return on general account assets, and retiree premiums are assumed to be equal to gross medical costs with no cost to the Health System. The initial UAAL was being amortized over a ten-year period on the level dollar method on an open basis.

### 11. Business and Credit Concentrations

The Health System grants credit to patients, substantially all of whom are local area residents. The Health System generally does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans or policies (e.g., Medicare, Medicaid, Blue Cross and commercial insurance policies).

The mix of receivables from patients and third-party payors follows at September 30:

	<u>2016</u>	<u>2015</u>
Medicare	36%	32%
Commercial insurance	18%	18%
Patients	26%	30%
Blue Cross	10%	11%
Medicaid	10%	9%
	<u>100%</u>	<u>100%</u>

### 12. Risk Management

Effective October 1, 2003, the Health System implemented a self-insurance program for professional and general liability risks, both with respect to claims incurred after the effective date of the program and claims incurred but not reported prior to that date. The Health System does not maintain any excess coverage for its self-insurance because the Health System is a community hospital organized in accordance with the community statutes of the State of Mississippi and, as such, is afforded sovereign immunity in accordance with the Mississippi Tort Claims Act. Presently, sovereign immunity limits losses to \$500,000 per claim. Prior to October 1, 2003, the Health System's insurance coverages for professional and general liability risks were provided under claims-made policies.

Incurred losses identified through the Health System's incident reporting system and incurred but not reported losses are accrued based on estimates that incorporate the Health System's current inventory of reported claims and historical experience, as well as considerations such as the nature of each claim or incident, relevant trend factors and advice from consulting actuaries. The Health System has established a self-insurance trust fund for payment of liability claims and makes deposits to the fund in amounts determined by consulting actuaries.

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The self-insurance liability for professional and general liability is included in the accrued workers' compensation, professional, and general liability costs line item on the statement of net position. The following is a summary of changes in the Health System's self-insurance liability for professional and general liability costs for fiscal years 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Balance at October 1	\$ 6,227,682	\$ 4,444,000
Provisions for claims reported and claims incurred but not reported	56,894	2,095,682
Claims paid	~	(312,000)
Balance at September 30	<u>\$ 6,284,576</u>	<u>\$ 6,227,682</u>

Like many other businesses, the Health System is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illness; natural disasters and professional and general liability claims and judgments. Commercial insurance coverage is purchased for most claims arising from such matters. Claims settled through September 30, 2016 have not exceeded this commercial coverage in any of the three preceding years.

Prior to 2003, the Health System purchased insurance to cover workers' compensation claims. During 2003, the Health System purchased high-deductible workers' compensation insurance, which had the effect that the Health System is largely self-insured.

The self-insurance liability for workers' compensation claims is included in the accrued workers' compensation, professional, and general liability costs line item on the statement of net position. The following is a summary of changes in the Health System's self-insurance liability for worker's compensation coverages for fiscal years 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Balance at October 1	\$ 2,590,000	\$ 2,890,000
Provisions for claims reported and claims incurred but not reported	(232,105)	504,904
Claims paid	(447,895)	(804,904)
Balance at September 30	<u>\$ 1,910,000</u>	<u>\$ 2,590,000</u>

The Health System is self-insured for employee health coverage up to a limit of \$500,000 per individual claim. The Health System maintains coverage with a third-party carrier for excess losses up to \$1 million (specific lifetime reimbursement per covered person).

The self-insurance liability for employee health coverage is included in the accrued payroll and employee benefits line item on the statement of net position. The following is a summary of changes in the Health System's self-insurance liability for employee health coverage for fiscal years 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Balance at October 1	\$ 2,892,571	\$ 3,314,781
Provisions for claims reported and claims incurred but not reported	20,672,073	23,939,102
Claims paid	(21,334,059)	(24,361,312)
Balance at September 30	<u>\$ 2,230,585</u>	<u>\$ 2,892,571</u>

**Singing River Health System**  
**Notes to Financial Statements**

**13. Blended Component Unit Reporting**

The Condensed Combining Statement of Net Position, Condensed Combining Statement of Revenue, Expenses and Changes in Net Position and the Condensed Combining Statement of Cash Flows as of and for the years ended September 30, 2016 and 2015, are detailed below:

Condensed Combining Statement of Net Position, September 30, 2016:

	<u>SRHS</u>	<u>SRHSAS</u>	<u>Anesthesia Services, LLC</u>	<u>Eliminations</u>	<u>Combined</u>
<b>Assets:</b>					
Current assets	\$ 107,886,546	\$ 4,759,118	\$ 1,225,340	\$ (1,008,038)	\$ 112,862,966
Capital assets	168,207,031	5,761,995	-	-	173,969,026
Other assets	<u>35,230,547</u>	<u>4,475,659</u>	-	<u>(15,003,115)</u>	<u>24,703,091</u>
Total assets	311,324,124	14,996,772	1,225,340	(16,011,153)	311,535,083
Total deferred outflows of resources	<u>38,837,346</u>	-	-	-	<u>38,837,346</u>
Total assets and deferred outflows	<u>\$ 350,161,470</u>	<u>\$ 14,996,772</u>	<u>\$ 1,225,340</u>	<u>\$ (16,011,153)</u>	<u>\$ 350,372,429</u>
Current liabilities	\$ 42,580,296	\$ -	\$ 942,401	\$ (935,766)	\$ 42,586,931
Long-term liabilities	<u>423,600,152</u>	-	-	-	<u>423,600,152</u>
Total liabilities	<u>466,180,448</u>	-	<u>942,401</u>	<u>(935,766)</u>	<u>466,187,083</u>
Total deferred inflows of resources	<u>7,696,374</u>	-	-	-	<u>7,696,374</u>
<b>Net position:</b>					
Net investment capital assets	79,726,955	5,761,995	-	-	85,488,950
Restricted	13,240,183	-	-	-	13,240,183
Unrestricted	<u>(216,682,490)</u>	<u>9,234,777</u>	<u>282,939</u>	<u>(15,075,387)</u>	<u>(222,240,161)</u>
Total liabilities, deferred inflows and net position	<u>\$ 350,161,470</u>	<u>\$ 14,996,772</u>	<u>\$ 1,225,340</u>	<u>\$ (16,011,153)</u>	<u>\$ 350,372,429</u>

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**Notes to Financial Statements**

Condensed Combining Statement of Revenues, Expenses, and Changes in Net Position, September 30, 2016:

	<u>SRHS</u>	<u>SRHSAS</u>	<u>Anesthesia Services, LLC</u>	<u>Eliminations</u>	<u>Combined</u>
Net patient service revenue, net	\$ 324,187,712	\$ 7,845,817	\$ 2,394,263	\$ -	\$ 334,427,792
Other revenues	<u>22,047,056</u>	<u>-</u>	<u>4,037,592</u>	<u>(4,037,592)</u>	<u>22,047,056</u>
Total revenues	<u>346,234,768</u>	<u>7,845,817</u>	<u>6,431,855</u>	<u>(4,037,592)</u>	<u>356,474,848</u>
Depreciation	20,742,453	870,500	-	-	21,612,953
Other operating expenses	<u>307,334,272</u>	<u>5,837,163</u>	<u>6,396,589</u>	<u>(3,942,611)</u>	<u>315,625,413</u>
Total operating expenses	<u>328,076,725</u>	<u>6,707,663</u>	<u>6,396,589</u>	<u>(3,942,611)</u>	<u>337,238,366</u>
Operating income	18,158,043	1,138,154	35,266	(94,981)	19,236,482
Nonoperating revenues (expenses)	2,613,300	6,311,817	-	(6,500,371)	2,424,746
Distributions to minority interest	-	(5,410,348)	-	4,991,170	(419,178)
Impact of deconsolidation of surgery centers	-	(1,011,384)	-	-	(1,011,384)
Change in net position	20,771,343	1,028,239	35,266	(1,604,182)	20,230,666
Net position, beginning of period	<u>(144,486,695)</u>	<u>13,968,533</u>	<u>247,673</u>	<u>(13,471,205)</u>	<u>(143,741,694)</u>
Net position, end of period	<u>\$ (123,715,352)</u>	<u>\$ 14,996,772</u>	<u>\$ 282,939</u>	<u>\$ (15,075,387)</u>	<u>\$ (123,511,028)</u>

Condensed Combining Statement of Cash Flows, September 30, 2016:

	<u>SRHS</u>	<u>SRHSAS</u>	<u>Anesthesia Services, LLC</u>	<u>Eliminations</u>	<u>Combined</u>
Net cash provided (used) by operating activities	\$ 47,932,910	\$ 1,811,726	\$ (79,566)	\$ (711,659)	\$ 48,953,411
Net cash provided (used) by noncapital financing activities	4,991,170	(5,410,348)	-	-	(419,178)
Net cash provided (used) by capital and related financing activities	(24,130,189)	(1,699,024)	-	711,659	(25,117,554)
Net cash used by investing activities	<u>(7,017,142)</u>	<u>4,847,518</u>	<u>-</u>	<u>-</u>	<u>(2,169,624)</u>
Net increase (decrease) in cash and cash equivalents	21,776,749	(450,128)	(79,566)	-	21,247,055
Cash and cash equivalents, beginning of year	<u>48,991,072</u>	<u>5,209,246</u>	<u>1,016,679</u>	<u>-</u>	<u>55,216,997</u>
Cash and cash equivalents end of year	<u>\$ 70,767,821</u>	<u>\$ 4,759,118</u>	<u>\$ 937,113</u>	<u>\$ -</u>	<u>\$ 76,464,052</u>



**Singing River Health System**  
**Notes to Financial Statements**

Condensed Combining Statement of Net Position, September 30, 2015:

	<u>SRHS</u>	<u>SRHSAS</u>	<u>Anesthesia Services, LLC</u>	<u>Eliminations</u>	<u>Combined</u>
Assets:					
Current assets	\$ 84,986,264	\$ 6,679,113	\$ 1,272,764	\$ (1,016,935)	\$ 91,921,206
Capital assets	175,377,834	10,327,266	-	-	185,705,100
Other assets	<u>28,360,930</u>	<u>-</u>	<u>-</u>	<u>(14,182,863)</u>	<u>14,178,067</u>
Total assets	288,725,028	17,006,379	1,272,764	(15,199,798)	291,804,373
Total deferred outflows of resources	<u>25,398,094</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,398,094</u>
Total assets and deferred outflows	<u>\$ 314,123,122</u>	<u>\$ 17,006,379</u>	<u>\$ 1,272,764</u>	<u>\$ (15,199,798)</u>	<u>\$ 317,202,467</u>
Current liabilities	\$ 41,767,053	\$ 1,929,393	\$ 1,025,091	\$ (1,443,965)	\$ 43,277,572
Long-term liabilities	<u>416,842,764</u>	<u>1,108,453</u>	<u>-</u>	<u>(284,628)</u>	<u>417,666,589</u>
Total liabilities	458,609,817	3,037,846	1,025,091	(1,728,593)	460,944,161
Net position:					
Net investment capital assets	80,041,276	8,097,013	-	711,658	88,849,947
Restricted	13,261,818	869,840	-	-	14,131,658
Unrestricted	<u>(237,789,789)</u>	<u>5,001,680</u>	<u>247,673</u>	<u>(14,182,863)</u>	<u>(246,723,299)</u>
Total liabilities and net position	<u>\$ 314,123,122</u>	<u>\$ 17,006,379</u>	<u>\$ 1,272,764</u>	<u>\$ (15,199,798)</u>	<u>\$ 317,202,467</u>

**Singing River Health System**  
**Notes to Financial Statements**

Condensed Combining Statement of Revenues, Expenses, and Changes in Net Position, September 30, 2015:

	<u>SRHS</u>	<u>SRHSAS</u>	<u>Anesthesia Services, LLC</u>	<u>Eliminations</u>	<u>Combined</u>
Net patient service revenue, net	\$ 324,688,041	\$ 9,639,235	\$ 2,358,327	\$ -	\$ 336,685,603
Other revenues	<u>15,460,077</u>	<u>(8,959)</u>	<u>4,039,740</u>	<u>(4,251,738)</u>	<u>15,239,120</u>
Total revenues	<u>340,148,118</u>	<u>9,630,276</u>	<u>6,398,067</u>	<u>(4,251,738)</u>	<u>351,924,723</u>
Depreciation	23,436,695	1,067,317	-	-	24,504,012
Other operating expenses	<u>252,299,797</u>	<u>6,486,597</u>	<u>6,436,862</u>	<u>(4,040,464)</u>	<u>261,182,792</u>
Total operating expenses	<u>275,736,492</u>	<u>7,553,914</u>	<u>6,436,862</u>	<u>(4,040,464)</u>	<u>285,686,804</u>
Operating income	64,411,626	2,076,362	(38,795)	(211,274)	66,237,919
Nonoperating revenues (expenses)	(3,618,376)	(342,043)	-	(703,515)	(4,663,934)
Distributions to minority interest	-	(910,028)	-	-	(910,028)
Change in net position	60,793,250	824,291	(38,795)	(914,789)	60,663,957
Net position, beginning of period	<u>(205,279,945)</u>	<u>13,144,242</u>	<u>286,468</u>	<u>(12,556,416)</u>	<u>(204,405,651)</u>
Net position, end of period	<u>\$ (144,486,695)</u>	<u>\$ 13,968,533</u>	<u>\$ 247,673</u>	<u>\$ (13,471,205)</u>	<u>\$ (143,741,694)</u>

Condensed Combining Statement of Cash Flows, September 30, 2015:

	<u>SRHS</u>	<u>SRHSAS</u>	<u>Anesthesia Services, LLC</u>	<u>Eliminations</u>	<u>Combined</u>
Net cash provided (used) by operating activities	\$ 32,944,715	\$ 3,401,711	\$ 450,774	\$ (533,869)	\$ 36,263,331
Net cash used by noncapital financing activities	-	(910,028)	-	-	(910,028)
Net cash provided (used) by capital and related financing activities	(16,448,762)	(1,670,343)	-	533,869	(17,585,236)
Net cash provided by investing activities	<u>8,237,016</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,237,016</u>
Net increase in cash and cash equivalents	24,732,969	821,340	450,774	-	26,005,083
Cash and cash equivalents, beginning of year	<u>24,258,103</u>	<u>4,387,906</u>	<u>565,905</u>	<u>-</u>	<u>29,211,914</u>
Cash and cash equivalents, end of year	<u>\$ 48,991,072</u>	<u>\$ 5,209,246</u>	<u>\$ 1,016,679</u>	<u>\$ -</u>	<u>\$ 55,216,997</u>

#### 14. Recent Reporting and Disclosure Developments

***Accounting pronouncements issued not yet adopted***

The Health System will adopt GASB No. 82, *Pension Issues* in fiscal year 2017. This statement addresses certain issues raised in GASB No. 68, *Accounting and Financial Reporting for Pensions* and other previously issued

accounting pronouncements related to (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

## **15. Risks and Uncertainties**

### ***Current economic and regulatory conditions***

The current economic environment continues to present hospitals with unprecedented circumstances and challenges. These conditions, including factors such as the unemployment rate, have made it difficult for certain of the Health System's patients to pay for services rendered. As employers make adjustments to health insurance plans putting more of the burden for the cost of health care on employees, or as more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on the Health System's future operating results. Other factors such as the Health System's responsibility to absorb the costs of care for indigent and uninsured, increases in labor and supply costs, heightened competition, specialist shortages, and rising insurance costs could also have an impact.

The effect of regulatory changes, including programs like the Centers for Medicare and Medicaid Services ("CMS") Value Based Purchasing Program, lack of Medicaid expansion in Mississippi, reductions in Disproportionate Share Hospital (DSH) payments to states like Mississippi under the Patient Protection and Affordable Care Act and the Health System (PPACA), Health Insurance Exchanges under the PPACA shifting more beneficiaries into lower-paying plans with plan reimbursement rates that are significantly lower than traditional employer-sponsored plans, the Readmissions Reduction Program established by the PPACA which cut Medicare reimbursement by up to two percent, the Federal Recovery Audit Contract ("RAC") program which subjects hospitals to long cumbersome appeal processes for perfectly valid claims, Value Based Payment Program reductions implemented by Medicare, Medicaid, and certain insurers to put payments to providers at varying levels of risk, Bundled Payments reductions where certain costs like lab costs are associated with other procedures in the overall encounter must be absorbed by the hospital with no separate credit given for those services, Sequestration Reductions which reduce Medicare payments by two percent, and other regulatory changes could have an adverse impact on the Health System's future operating results. The accompanying financial statements have been prepared using values and information currently available to the Health System.

### ***Other uncertainties***

The United States District Court of the Southern District of Mississippi approved a settlement in a class-action lawsuit related to the Pension Plan in June 2016. That decision was appealed to the Fifth Circuit Court of Appeals and oral arguments were heard on January 5, 2017. As of the report date, the Fifth Circuit Court of Appeals has not yet ruled on the appeal. The outcome of the ruling could significantly impact the financial statements.

The Health System acknowledges, in the summer of 2016, questions were raised as to how an employed neurologist diagnosed the existence of multiple sclerosis, and how that physician treated those patients. The review of this matter is ongoing; however, this has resulted in the physician no longer being employed by the Health System. The Health System has notified the physician's patients and all other entities requiring notification. The Health System has not received any claims related to this matter.

There is a recent finding from the Fifth Circuit Court of Appeals ruling in favor of Federal Insurance on the duty to pay issue. Federal has recently stated that it is now reserving a right to seek reimbursement of approximately \$2,400,000 in defense fees paid on behalf of SRHS and all other insureds, the amount paid exceeding the Fiduciary coverage liability limit of \$1,000,000. Neither the general law, the policy language, nor Mississippi law recognize such a right unless a prior agreement to that effect has been entered with an insured.

The Health System is also involved in various other litigation arising in the normal course of business. Based on consultations with legal counsel, management is of the opinion that these matters will be resolved without material

**Singing River Health System**  
**Notes to Financial Statements**

adverse effect on the Health System's future financial position or the results of its future operations, to the extent determinable.

## 16. Deconsolidation

The Health System, through its fully blended component unit, SRHSAS held a 51% ownership interest in two ambulatory surgery centers, Mississippi Coast Endoscopy and Ambulatory Surgery Center, LLC ("MCEASC") and Ocean Springs Surgical and Endoscopy Center, LLC ("OSSEC"). On August 1, 2016, the Company sold 26.5% of its ownership interest resulting in a gain of \$8,324,004. Through the sale, SRHSAS no longer holds controlling interest in MCEASC and OSSEC; accordingly, the Health System derecognized related assets, liabilities and minority interest of MCEASC and OSSEC. The Health System determined that on the date of sale, the fair market value of its retained interest in MCEASC and OSSEC was \$4,385,300. The net cash inflow arising from the deconsolidation of the surgery centers was \$4,507,428 (\$4,991,169 in cash consideration received less \$483,471 in cash deconsolidated upon the loss of control). The total impact on the Health System financial statements of the deconsolidation of net position was \$1,011,384.

## 17. Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurements and Application*, addresses accounting and financial reporting issues related to fair value measurements. The standard describes fair value as an exit price. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard provides guidance for determining a fair value measurement for financial reporting purposes. This standard also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The standard establishes a three-level hierarchy of inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets or liabilities, inputs that are observable for the asset or liability, and market-corroborated inputs. Level 3 inputs are unobservable inputs and take into account all information about market participant assumptions that are reasonably available. The System categorizes its fair value measurements within the fair value hierarchy established by this standard.

For assets carried at fair value, the following table provides fair value information as of September 30, 2016 and 2015:

	Fair value at September 30, 2016	Fair value measurements at September 30, 2016 using		
		Quoted prices in active markets for identical assets and liabilities (Level 1)	Quoted prices for similar assets and liabilities (Level 2)	Significant unobservable inputs (Level 3)
<u>Investments by fair value level</u>				
Money market funds	\$ 15,812,945	\$ -	\$ 15,812,945	\$ -
U.S. Government obligations	6,963,647	6,963,647	-	-
Municipal obligations	823,247	-	823,247	-
Mortgage-backed securities	1,687,501	-	1,687,501	-
Total investments by level	<u>\$ 25,287,340</u>	<u>\$ 6,963,647</u>	<u>\$ 18,323,693</u>	<u>\$ -</u>

The above schedule excludes guaranteed contracts measured at contract value of \$3,145,160 and money market investments of \$3,603,539.

**Singing River Health System**  
**Notes to Financial Statements**

	<u>Fair value measurements at September 30, 2015 using</u>			
	Fair value at September 30, 2015	Quoted prices in active markets for identical assets and liabilities (Level 1)	Quoted prices for similar assets and liabilities (Level 2)	Significant unobservable inputs (Level 3)
<u>Investments by fair value level</u>				
Money market funds	\$ 7,672,905	\$ -	\$ 7,672,905	\$ -
U.S. Government obligations	<u>2,443,753</u>	<u>2,443,753</u>	<u>-</u>	<u>-</u>
Total investments by level	<u>\$ 10,116,658</u>	<u>\$ 2,443,753</u>	<u>\$ 7,672,905</u>	<u>\$ -</u>

The above schedule excludes guaranteed contracts measured at contract value of \$3,145,160 and money market investments of \$2,510,332.

Money market funds are open-ended mutual funds that comply with Securities and Exchange Commission Rule 2a7 and transact with investors based on a floating net asset value per share. Money market funds are classified in Level 2 of the fair value hierarchy as fair value is measured based on an observable published share price of \$1.

Municipal obligations and mortgage-back securities classified in Level 2 of the fair value hierarchy are valued using techniques which reflect market participants' assumptions and maximize the use of relevant observable inputs included quoted prices for similar assets, benchmark yield curves, and market corroborated inputs.

## **18. Investments in Uncombined Entities**

SRHSAS holds a non-controlling 24.5% ownership interest in two ambulatory surgery centers, Mississippi Coast Endoscopy and Ambulatory Surgery Center, LLC ("MCEASC") and Ocean Springs Surgical and Endoscopy Center, LLC ("OSSEC"). SRHSAS accounts for the investments in uncombined entities using the equity method of accounting. SRHAS' investment in the uncombined entities was \$4,475,659 at September 30, 2016. Prior to the year ended September 30, 2016, MCEASC and OSSEC were included in the financial statements as blended component units of SRHSAS, as SRHSAS held a controlling interest in the entities. See Deconsolidation information in Note 16.

**Component Unit**  
**West Jackson County Utility District**

Notes to the Financial Statements  
For the year ended September 30, 2016

**West Jackson County Utility District**  
**(A Component Unit of Jackson County, Mississippi)**  
Notes to Financial Statements  
For the Year Ended September 30, 2016

**Note 1 – Summary of Significant Accounting Policies**

West Jackson County Utility District (the District) was created by a resolution of the Board of Supervisors of Jackson County, Mississippi, dated February 5, 1974, under the provisions of Senate Bill 2251, Laws of Mississippi of 1966. The entity was originally created as the St. Martin-Gulf Hills Utility District of Jackson County, Mississippi. The District was dormant until August 14, 1992, at which time the District held its initial meeting since being reactivated and by resolution of the Board of Supervisors in January 1993, the name was changed to the West Jackson County Utility District. West Jackson County Utility District is a component unit of Jackson County, Mississippi.

The following significant accounting policies were applied in the preparation of the accompanying financial statements:

**Basis of Accounting and Presentation** – The District's financial statements include the accounts of all District operations. The District provides water and sewer collection services to its customers and charges and collects user fees for these services. The financial statements of the District are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities, and as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles.

The District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statement presents increases (revenues) and decreases (expenses) in net position. Under the accrual basis of accounting, revenues are recognized when measurable and available to finance operations of the current fiscal year. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current year or soon enough after fiscal year end to liquidate liabilities existing at the end of the fiscal year.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principle operating revenues for proprietary funds are charges to customers for services. Principle operating expenses are the cost of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenue and expenses are classified as non-operating in the financial statements.

**West Jackson County Utility District**  
**(A Component Unit of Jackson County, Mississippi)**  
Notes to Financial Statements  
For the Year Ended September 30, 2016

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Capital Assets** – Capital assets are valued at historical cost. Depreciation is recorded as an expense against operations for proprietary funds and accumulated depreciation is reported on the statements of Net Position. Depreciation is provided for using the straight-line method over the estimated useful lives of the assets.

Estimated useful lives are as follows:

Machinery, equipment and automobiles	5 years
Collection system and water wells	25-35 years

**Cash and Cash Equivalents** - Cash and cash equivalents include all cash and short-term investments (including restricted assets) with an original maturity of three months or less. The carrying value of cash equivalents approximates fair value due to the short maturities of those instruments.

**Estimates** - Preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Capitalization of Interest Costs** - The District follows the policy of capitalizing interest costs incurred on debt proceeds used in the construction of fixed assets. Interest costs incurred on debt proceeds through the date of completion of construction are recorded as part of the capitalized cost of the asset.

**Risk Management** - The District is exposed to various risks of loss related to torts, theft, damage and destruction of assets, error and omissions, injuries to employees and natural disasters. The District manages these risks through commercial insurance coverage. There have been no material uninsured losses exceeding insurance coverage during the past three fiscal years.

**Restricted Assets** – Restricted assets are assets restricted by the covenants of long-term financial arrangements or other third party legal restrictions. Restricted assets are used in accordance with their requirements and where both restricted and unrestricted resources are available for use; restricted resources are used first and then unrestricted as they are needed.

**Inventories** – Material and supplies inventories are recorded at average cost.

**Revenue Recognition** – Revenues are recorded as meters are read on a cycle basis each month for customers on metered service. Other customers are billed on a flat-rate basis, and revenues are recorded as billed. Also, the District records estimated revenues earned but not billed to customers as of the end of the year. Revenues from connection fees are recognized upon completion of the connection. Interest income is recorded as it is earned.



**West Jackson County Utility District**  
**(A Component Unit of Jackson County, Mississippi)**  
Notes to Financial Statements  
For the Year Ended September 30, 2016

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Revenue and Expense Classification** – The District distinguishes operating revenues and expenses from non-operating items in the preparation of its financial statements. Operating revenues and expenses generally result from providing water and sewer services in connection with the District's principal ongoing operations. The principal operating revenues are sales to customers. The District's operating expenses include treatment fees, labor, materials, services and other expenses related to delivery of water and sewer collection. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses, or capital contributions.

**Net position** - Net Position as presented in the Statement of Net Position includes:

Investment in capital assets, net of related debt - The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted - The component of net position that reports the funds that are restricted by bond or loan covenants; for customer deposits or for utility system construction.

Unrestricted - The difference between the assets and liabilities that is not reported in the components of net position detailed above.

**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 future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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 future periods and so will not be recognized as an inflow of resources (revenue) until that time.

**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.

**West Jackson County Utility District**  
**(A Component Unit of Jackson County, Mississippi)**  
Notes to Financial Statements  
For the Year Ended September 30, 2016

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Pensions (Continued)**

In June 2012, the Governmental Accounting Standards Board issued GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, note disclosure and required supplementary information requirements about pensions also are addressed. This statement is effective for fiscal years beginning after June 15, 2014.

**Note 2 – Cash and Collateralized Deposits**

The collateral for public entities' 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 Depository Insurance Corporation.

**Note 3 – Restricted Assets**

The District has established restricted savings accounts, which are maintained as required to cover contingencies for system maintenance, customer deposits, and debt service. The District is required by bond and note covenants to maintain reserves for depreciation, contingencies and debt service payments. Balances in these accounts at September 30, 2016, may be stated as follows:

**Restricted Cash Balances:**

Bond-related debt service and other reserves	\$ 2,757,353
Construction and special projects funds	1,698,452
Customer deposits	<u>581,467</u>
Total restricted assets	\$ <u>5,037,272</u>

**West Jackson County Utility District**  
**(A Component Unit of Jackson County, Mississippi)**  
Notes to Financial Statements  
For the Year Ended September 30, 2016

**Note 4 – Construction in Progress**

The District is currently in the process of expanding its service area and extending its utility system. Until such time as the projects are completed and placed in service, the costs of construction are reported as construction in progress on the statements of net position. The balance in this account includes actual construction costs, construction engineering fees, administrative expenses and interest costs. Details of the balances in this account at September 30, 2016 are as follows:

<u>Project</u>	
Water Facilities Plan - Phase III	\$ 249,775
Wastewater Facilities Plan - Phase I	561,199
Preliminary engineering and design costs for other projects	<u>138,304</u>
Total Construction in progress	\$ <u>949,278</u>

**Note 5 – Ad Valorem Taxes, Jackson County**

West Jackson County Utility District receives ad valorem taxes from Jackson County, Mississippi on an annual basis. Ad Valorem taxes received for the year ended September 30, 2016, totaled \$285,239.

**Note 6 – Long-Term Debt**

Details of the District's long-term debt are as follows:

**Regions Bank as Trustee, Series 2013 Bond Issue** – During the year ended September 30, 2013, the District secured financing in the form of a bond issue through Mississippi Development Bank in the amount of \$12,155,000 for the purpose of refinancing a portion of the existing USDA debt and acquiring additional funding for the expansion of the utility system. The loan agreement provides for annual principal payments and semi-annual interest payments with interest rates ranging between 1.0% and 5.0%, based on maturity date of the bonds. The bond issue has a maturity date of December 1, 2033. At September 30, 2016, the principal balance of the loan was \$11,330,000.

**Mississippi Department of Health, Water Facilities Plan Phase I** – The District secured financing for the installation of new water mains, new automatic-read meters and abandonment of nine wells within the Gulf Hills area, through a loan from the Mississippi Department of Health in the amount of \$5,000,000. The project was completed in October, 2013 at a total loan amount of \$4,104,258. The note is payable \$21,025 monthly beginning March 15, 2014, bearing interest at 1.95% for a period of 235 months. At September 30, 2016, the principal balance of the loan was \$3,633,106.

**West Jackson County Utility District**  
**(A Component Unit of Jackson County, Mississippi)**  
Notes to Financial Statements  
For the Year Ended September 30, 2016

**Note 6 – Long-Term Debt (Continued)**

**Mississippi Department of Health, Water Facilities Plan Phase II** – The District secured financing from the Mississippi Department of Health in the amount of \$4,104,258 for the completion of various distribution upgrades and improvements in the Gulf Hills and Laura Acres areas of the system. The project was completed in September, 2014; and the loan was finalized in January, 2015. The note bears interest at 1.95% and is payable at \$21,025 per month for a period of 237 months. At September 30, 2016, the principal balance of this note was \$3,341,787.

**Mississippi Department of Environmental Quality Revolving Loan Fund, Sewer System Extension Project** – During the year ended September 30, 2001, the District entered into an agreement with the Mississippi Department of Environmental Quality for financing for the construction of an extension of the District's sewer system. The final loan totaled \$4,202,135 and is payable over a period of 236 months at \$21,398 per month. The note bears interest at 1.75%. At September 30, 2016, the principal balance of this note was \$1,671,605.

**Mississippi Department of Health, Tucker Road Water Main** – During the year ended September 30, 2001, the District entered into an agreement with the Mississippi Department of Health, for financing through the Drinking Water Systems Improvements Revolving Loan Fund for the construction of the Tucker Road Water Main. The original loan was approved for \$139,351 and the final amount totaled \$123,060. The note is payable \$691 monthly and bears interest at 3.0%. At September 30, 2016, the principal balance of this note was \$39,045.

**Mississippi Department of Environmental Quality, Lemoyne Water Tank Project** – The District has secured financing for the construction of an elevated water tank to serve as part of the water system for Lemoyne Boulevard and adjoining areas. The financing is provided through the Water Pollution Control Revolving Loan Fund Program. The original loan was approved for \$752,635 and the final loan amount totaled \$719,093. The note is payable \$3,658 monthly bearing interest at 1.95%, with a term of 237 months. At September 30, 2016, the principal balance of this note was \$483,762.

**Mississippi Department of Health, Lemoyne Water Well and Distribution Project** – The District has secured financing for the construction of water well and distribution system to serve customers in the Lemoyne Boulevard and adjoining areas. The financing is provided through the Drinking Water Systems Improvements Revolving Loan Fund. The original loan was approved for \$1,505,065 and the final loan amount totaled \$1,441,641. The note is payable \$7,334 monthly, bearing interest at 1.95%, with a term of 237 months. At September 30, 2016, the principal balance of this note was \$969,849.

**Mississippi Department of Environmental Quality, North of I-10 Sewer Expansion Project** The District has secured financing for the installation of 57,000 feet of force main, pumping stations and other items necessary to serve approximately 300 customers, referred to as the Sewer Completion Project. The final loan amount totaled \$2,230,228; payable \$12,245 monthly, bearing interest at 2.75%, with a term of 237 months. At September 30, 2016, the principal balance of this note was \$1,509,251.

**West Jackson County Utility District**  
**(A Component Unit of Jackson County, Mississippi)**  
Notes to Financial Statements  
For the Year Ended September 30, 2016

**Note 6 – Long-Term Debt (Continued)**

**Rural Development, Water System Revenue Bond, 2007 issue** - During the year ended September 30, 2007, the District obtained financing from the United States Department of Agriculture, Rural Development in the amount of \$11,000,000, for the purchase of the utility systems of Coast Waterworks, Inc. and Magnolia Utilities, Inc. at a cost of \$8,500,000; and for the improvement of existing systems and the construction of new facilities for the administration and operation of the District. The financing was split into two notes by USDA, in the amounts of \$9,500,000 and \$1,500,000. During the year ended September 30, 2013, the District paid off the remaining balance of the \$1,500,000 loan. The payment terms for the \$9,500,000 note are 4.125% payable in monthly installments of \$42,845. At September 30, 2016, the principal balance of this note was \$8,044,353.

**Rural Development, Water System Revenue Bond, 2008 issue** – On May 27, 2008, the Board of Directors approved the issuance of \$882,000 in bonds through the USDA Rural Development for the purpose of purchasing the TESI water system and improving and extending the existing system in the area known as Old St. Martin. The District secured interim financing from Merchants and Marine Bank and on March 18, 2009, the interim loan was paid upon issuance of the bond proceeds. The bond bears interest at 4.125%, payable interest only for the first two years and thereafter at \$4,117 monthly. At September 30, 2016, the principal balance of this note was \$801,904.

**Mississippi Department of Health, Distribution Lines Replacements and Upgrades** - On November 7, 2014, the District entered into a loan agreement with the Mississippi Department of Health for a project consisting of the replacement and/or upgrade of approximately 92,000 linear feet of distribution lines with associated valves and appurtenances. The loan is authorized in the amount of \$5,000,000 bearing interest at 1.95%; payable in monthly installments of \$25,437 for a period of 237 months based on the initial repayment schedule per the loan agreement. As of September 30, 2016, the District had outstanding advances under the agreement totaling \$137,500.

The debt service requirements on the above long-term debts are as follows:

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,266,625	\$ 1,139,676	\$ 2,406,301
2018	1,428,646	1,106,254	2,534,900
2019	1,501,359	1,065,617	2,566,976
2020	1,547,285	1,018,491	2,565,776
2021	1,598,948	967,203	2,566,151
2022-2026	7,955,432	4,019,082	11,974,514
2027-2031	8,147,298	2,545,146	10,692,444
2032-2036	5,827,587	1,008,988	6,836,575
2037-2041	2,508,644	309,076	2,817,720
2042-2046	<u>180,338</u>	<u>4,190</u>	<u>184,528</u>
Totals	<u>\$ 31,962,162</u>	<u>\$ 13,183,723</u>	<u>\$ 45,145,885</u>

**West Jackson County Utility District**  
**(A Component Unit of Jackson County, Mississippi)**

Notes to Financial Statements  
For the Year Ended September 30, 2016

**Note 7 – Line of Credit**

On October 30, 2015, the District renewed an unsecured line of credit with M & M Bank in the amount of \$2,000,000. The line bears interest at 3.25%, payable quarterly; maturing October 30, 2016. As of September 30, 2016, there were no advances outstanding against this line of credit.

**Note 8 – Capital Assets**

A summary of the District's changes in capital assets for the year ended September 30, 2016, is as follows:

Description	Balance 10/1/15	Additions	Deletions	Balance 9/30/16
Office furniture and equipment	\$ 376,275	\$ 23,639	\$ -0-	\$ 399,914
Buildings	534,857	3,983	-0-	538,840
Machinery and equipment	742,421	218,538	-0-	960,959
Vehicles	644,123	82,021	24,848	701,296
Utility systems	51,690,375	271,268	-0-	51,961,643
Land	29,544	22,895	-0-	52,439
Construction in progress	816,991	132,287	-0-	949,278
Totals	54,834,586	754,631	24,848	55,564,369
Less: Accumulated depreciation	14,835,306	( 1,785,806)	24,848	16,596,264
Total capital assets	\$39,999,280	\$( 1,031,175)	\$ -0-	\$38,968,105

On July 1, 2014, the City of D'Iberville conveyed to the District the sewer assets of the Cherry Park Subdivision. Under the agreement, the District bills the customers of the area for sewer fees and pays the City of D'Iberville for wastewater treatment services until such time as the District connects the subdivision to its collection system.

**Note 9 – Defined Benefit Pension Plan**

*Plan Description*

*Plan Description.* The 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.

**West Jackson County Utility District**  
**(A Component Unit of Jackson County, Mississippi)**  
Notes to Financial Statements  
For the Year Ended September 30, 2016

**Note 9 – Defined Benefit Pension Plan (Continued)**

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

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

*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the District is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2016 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 State of Mississippi Legislature. The District's contributions to PERS for the fiscal years ending September 30, 2016, 2015 and 2014 were \$181,573, \$176,083 and \$168,106, respectively, which equaled the required contributions for each year.

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

At September 30, 2016, the District reported a liability of \$3,113,046, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial

**West Jackson County Utility District**  
**(A Component Unit of Jackson County, Mississippi)**  
Notes to Financial Statements  
For the Year Ended September 30, 2016

**Note 9 – Defined Benefit Pension Plan (Continued)**

**Pensions Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2016, the District's proportion was .017428 percent; which was a decrease of .000360% from its proportion as of the prior year.

For the year ended September 30, 2016, the District recognized pension expense of \$383,138. At September 30, 2016, 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	\$ 86,832	\$
Net difference between projected and actual earnings on pension plan investments	210,895	
Changes in assumptions	146,757	8,272
Changes in proportion and differences between the District's contributions and proportionate share of overall contributions	12,434	
District contributions subsequent to the measurement date	<u>46,006</u>	
Total	\$ <u>502,924</u>	\$ <u>8,272</u>

Deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date totaling \$46,006 will be recognized as a reduction to the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ended September 30:

2017	\$ 154,552
2018	117,134
2019	112,354
2020	<u>64,606</u>
Total	\$ <u>448,646</u>



**West Jackson County Utility District**  
**(A Component Unit of Jackson County, Mississippi)**  
Notes to Financial Statements  
For the Year Ended September 30, 2016

**Note 9 – Defined Benefit Pension Plan (Continued)**

*Actuarial assumptions.* The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.75 – 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2016 with males rates set forward one year.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34.00%	5.20%
International Equity	19.00	5.00
Emerging Markets Equity	8.00	5.45
Fixed Income	20.00	0.25
Real Assets	10.00	4.00
Private Equity	8.00	6.15
Cash	<u>1.00</u>	(0.50)
Total	<u><u>100.00%</u></u>	

**West Jackson County Utility District**  
**(A Component Unit of Jackson County, Mississippi)**  
Notes to Financial Statements  
For the Year Ended September 30, 2016

**Note 9 – Defined Benefit Pension Plan (Continued)**

*Discount Rate* – The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease <u>(6.75%)</u>	Discount Rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
District's proportionate share of the net pension liability	\$ 3,991,672	\$ 3,113,046	\$ 2,384,141

*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 – Sixteenth Section Lease**

The District has a lease agreement with the Jackson County Board of Education for a portion of sixteenth section land. The lease term is forty years beginning in fiscal year 2000, with an annual minimum rental of \$495, based on 10% of the appraised value of the property. The agreement provides for reappraisal each eight years and an adjustment of rent based on 10% of the new appraised value. In 2016, the property was reappraised and a new annual rent of \$650 was established. Lease payments for the year ended September 30, 2016, totaled \$1,050. Future minimum payments under the lease may be stated as follows:

Year Ended September 30,	Future Minimum Rentals
2017	\$ 650
2018	650
2019	650
2020	650
2021	650
2022-2026	3,250
2027-2031	3,250
2032-2036	3,250
2037-2039	<u>1,950</u>
Totals	\$ <u>14,950</u>

**West Jackson County Utility District**  
**(A Component Unit of Jackson County, Mississippi)**  
Notes to Financial Statements  
For the Year Ended September 30, 2016

**Note 11– Compensated Absences**

The District has adopted personnel policies of which compensated absences in the form of vacation and sick leave are covered. Employees accrue vacation leave and sick leave, each at a rate of 3.33 hours per month, after three months of service through the first year. In years two through five, the accrual is 6.66 hours per month; in years six through ten, the accrual is 10 hours per month; in years eleven through fifteen, the accrual is 13.33 hours per month; and employees with over fifteen years of service, the accrual is 16.66 hours per month. Upon separation from service, employees are entitled to payment of accrued compensated absences as follows:

**Vacation:** Each employee will be paid up to 240 hours of accrued vacation time. Any unused time shall be transferred to the Mississippi Public Employees Retirement System, subject to the System's guidelines, providing the employee is vested at the time of separation.

**Sick Leave:** Employees are not compensated for unused sick leave. Any unused sick leave at the time of separation shall be transferred to the Mississippi Public Employees Retirement System, subject to the System's guidelines, providing the employee is vested at the time of separation.

Due to materiality considerations, no provision has been made in the financial statements for compensated absences.

**Note 12 – Commitments and Contingencies**

On October 3, 2014, the District entered into a loan agreement with the Mississippi Department of Environmental Quality for a project consisting of the replacement of two pump stations, rehabilitation of two pump stations, installation of sewer lines, lining of sewer lines and manholes and various repairs to the existing system. The loan is authorized in the amount of \$7,847,920 bearing interest at 1.75%; payable in monthly installments of \$39,189 for a period of 237 months based on the initial repayment schedule per the loan agreement. As of September 30, 2016, the District had incurred \$561,199 in costs associated with the project; however no loan advances had been requested as of that date.

The District is a party to various legal proceedings arising principally in the normal course of operations. These legal proceedings are not likely to have a material adverse impact on the accompanying financial statements and accordingly, no provision for losses has been recorded.

**West Jackson County Utility District**  
**(A Component Unit of Jackson County, Mississippi)**  
Notes to Financial Statements  
For the Year Ended September 30, 2016

**Note 13 – Subsequent Events**

Management has evaluated subsequent events through January 31, 2017, the date the financial statements were issued. The following were identified subsequent events:

On November 22, 2016, the District renewed its line of credit with M & M Bank in the amount of \$2,000,000. The credit line bears interest at 3.25% payable quarterly, maturing September 22, 2017.

On November 30, 2016, the District awarded a bid to a contractor in the amount of \$2,691,053 for construction related to the Water Facilities Plan - Phase III project. The project is being funded by a State Revolving Loan through the Mississippi Department of Health.

On December 20, 2016, the District awarded two bids to contractors in the amounts of \$5,904,058 and \$1,097,913, for construction related to the Wastewater Facilities Plan - Phase I project. The project is being funded in part by a State Water Pollution Control Revolving Loan through the Mississippi Department of Environmental Quality; and in part by Jackson County under a Memorandum of Understanding between the District, Jackson County and the Jackson County School District.

**Component Unit**  
**Jackson County Emergency Communications District**

Notes to the Financial Statements  
For the year ended September 30, 2016

**JACKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2016

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The District was incorporated in 1987 under House Bill No. 104, Mississippi Code of 1972 and Amendments thereto. The creation of the District was necessitated by the existence of inadequate emergency communication systems serving Jackson County, Mississippi.

The District's entity consists of and includes all funds that are covered by the oversight responsibility of the District. There are no funds excluded from the reporting entity, which are under the control of the District. The reporting entity is a component unit of Jackson County, Mississippi.

**B. Basis of Presentation**

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) for state and local governments. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles for state and local governments in the United States of America.

The District's operations are presented as a single enterprise fund. Enterprise funds distinguish operating revenues and expenses from non-operating items in accordance with the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net assets, deferred outflows and inflows, revenues, and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

Revenues from telephone surcharges are reported as operating revenues. All expenses related to operating the Emergency Communications District are reported as expenses. Interest and investment income are reported as non-operating income. Interest expense is reported as a non-operating expense. Capital contributions, special and extraordinary items are reported separately after non-operating revenues and non-operating expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**C. Assets, Liabilities, Deferred Outflows/Inflows, and Fund Balance**

***Deposits and Investments***

The District considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Short-term investments with an original maturity of one year or less are reported at cost, which approximates fair value.

Note 2 sets forth information about the use of federal depository insurance (FDIC) and collateralization to insure the District's deposits.

**JACKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2016

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Receivables and Payables***

All receivables and payables are shown at their net realizable value. Management expects to collect entire amounts due and therefore has not established an allowance for uncollectible accounts.

***Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid items in the financial statements. Prepaid items are recognized utilizing the consumption method.

***Furniture, Fixtures, and Equipment***

Capital assets purchased or acquired with useful lives of more than one year are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Other costs incurred for repairs and maintenance are expensed as incurred. The threshold for capitalizing assets is \$1,000. Depreciation on all assets is estimated on the straight-line basis over useful lives ranging from five to ten years.

***Compensated Absences***

Paid annual leave is granted to employees who have been employed by Jackson County for at least 12 months and who have worked at least 1,250 hours during the previous 12 months. Annual leave is accumulated based on a period of continuous service and is earned in varying amounts depending on the years of service with the District. Unused vacation leave may be paid to employees upon separation from employment up to a maximum of 240 hours provided they have completed at least six months of continuous service. Additional accrued annual leave is credited to the State Retirement. The maximum amount that can be credited to the State Retirement is 11,200 hours of combined accrued unused sick and annual leave. The employee may elect to have all earned but unused annual leave credited to State Retirement.

Paid sick leave is granted to full-time employees who have completed six months of service and are eligible to earn annual leave. Sick leave is accumulated for full-time employees who work 66-80 hours or more per pay period at specified hours per pay period, up to a maximum of 480 hours per year. Employees can only be paid for sick leave for actual time missed due to qualified sick leave absences. Upon termination, no payment is made to employees for accumulated sick leave; however, the unused hours are credited to State Retirement. As stated above, the maximum amount of combined accrued unused annual and sick leave that may be credited to State Retirement is 11,200 hours.

**JACKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2016

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***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 Mississippi Public Employees' Retirement System and additions to/deductions from the Systems' fiduciary net position have been determined on the same basis as they are reported by the District. For this purpose, 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.

***Net Position***

In the Proprietary Fund financial statements, the difference between the District's total assets and deferred outflows of resources, total liabilities and deferred inflows of resources represents net position. Net position displays three components:

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, constructions or improvement of those assets.
2. Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditor, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.
3. Unrestricted net position - All other net position not meeting the definition of "restricted" or "invested in capital assets, net of related debt." Unrestricted net position represents the net position available for future operations.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the District's general policy to use restricted resources first.

***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 (expenses/expenditure) until then. The District has a deferred outflow which is presented as a deferred outflow of resources related to pension obligations.

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 a consumption of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The District has a deferred inflow which is presented as a deferred inflow of resources related to pension obligations.



**JACKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2016

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Use of Estimates***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

***Budgetary Control***

State statute establishes the fiscal year as the twelve-month period beginning October 1. The District submits to the Board of Commissioners a budget of estimated expenditures for the ensuing fiscal year at the June meeting.

Upon receipt of the budget estimates, the Board holds a meeting on the proposed budget. The Board makes comments on the proposed budget, and holds a subsequent meeting in the following month to review the changes. The budget is legally adopted at the September board meeting.

Budgeted amounts are as originally adopted, as amended by the Board of Commissioners.

***New GASB Pronouncements***

The Governmental Accounting Standards Board has issued several new pronouncements that the District has reviewed for application to their accounting and reporting.

GASB Statement No. 72, *Fair Value Measurement and Application*, is effective for the periods beginning after June 15, 2015. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The District has implemented this reporting requirement for the year ended September 30, 2016.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB 68, and Amendments to certain Provisions of GASB 67 and 68*, is effective for the periods beginning after June 15, 2015. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The District has implemented this reporting requirement for the year ended September 30, 2016.

**JACKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2016

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, is effective for the periods beginning after June 15, 2015. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The District has implemented this reporting requirement for the year ended September 30, 2016.

**NOTE 2. DEPOSITS AND INVESTMENTS**

State law requires that all deposits in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limits be 105% collateralized by U.S. Government obligations or by state municipal obligations that have a fair value of not less than the principal amount of deposits. The collateral for public entities’ 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 27-1-5-5 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 FDIC. The District’s deposits were fully insured or collateralized as required by statutes at September 30, 2016.

At year-end, the carrying amount of the District’s deposits was \$1,247,239, and the respective bank balances totaled \$1,255,834. The bank balance is categorized as follows:

Amount collateralized with securities held in the State of Mississippi collateral pool on behalf of the District	\$ 1,005,834
Amounts held at various financial institutions covered under Federal Depository Insurance	250,000
	<u>\$ 1,255,834</u>

**JACKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2016

**NOTE 3. CONCENTRATION OF CREDIT RISK**

Custodial credit risk is 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 formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the District. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the District as indicated at Note 2.

**NOTE 4. ACCOUNTS RECEIVABLE**

Accounts receivable represents receivables from telephone companies based upon fees as approved in enabling legislation. For the year ended September 30, 2016, the accounts receivable balance was \$199,540. The District considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established.

**NOTE 5. FURNITURE, FIXTURES, AND EQUIPMENT**

Furniture, fixtures, and equipment consisted of the following at September 30, 2016:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets:				
Furniture and fixtures	\$ 447,904	29,982	(11,970)	465,916
Auto	26,642	-	-	26,642
Communications system	<u>11,964,742</u>	<u>27,866</u>	<u>-</u>	<u>11,992,608</u>
Total capital assets	<u>12,439,288</u>	<u>57,848</u>	<u>(11,970)</u>	<u>12,485,166</u>
Less accumulated depreciation for:				
Furniture and fixtures	231,665	36,705	-	268,370
Auto	26,642	-	-	26,642
Communications system	<u>9,291,600</u>	<u>657,519</u>	<u>-</u>	<u>9,949,119</u>
Total accumulated depreciation	<u>9,549,907</u>	<u>694,224</u>	<u>-</u>	<u>10,244,131</u>
Total capital assets, net	<u>\$ 2,889,381</u>	<u>(636,376)</u>	<u>(11,970)</u>	<u>2,241,035</u>

Depreciation expense for the year ended September 30, 2016 was \$694,224.

**JACKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2016

**NOTE 6. LONG-TERM DEBT AND OTHER OBLIGATIONS**

The following is a summary of changes in long-term debt transactions of the District for the year ended September 30, 2016:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 26,402	2,574	-	28,976	14,488
Capital Lease Obligations	1,441,090	-	(423,388)	1,017,702	440,886
Net Pension Liability	<u>293,703</u>	<u>63,547</u>	<u>-</u>	<u>357,250</u>	<u>-</u>
Total Long-Term Liabilities	<u>\$ 1,761,195</u>	<u>66,121</u>	<u>(423,388)</u>	<u>1,403,928</u>	<u>455,374</u>

***Capital Lease Obligation***

The District has entered into a capital lease agreement as of September 30, 2016. The capital lease agreement is for a communications tower. The scheduled minimum lease payment under the agreement includes interest of 4.07%. The capital lease obligation matures in December 2018. The cumulative amount of assets acquired under the capital lease described above amounted to \$3,632,070 with \$1,755,500 of accumulated depreciation as of September 30, 2016,

The future minimum lease obligation and the net present value of these minimum lease payments as of September 30, 2016 were as follows:

2017	\$ 475,633
2018	475,633
2019	118,910
Less amount representing interest	<u>(52,474)</u>
Present value of minimum payments	<u>\$ 1,017,702</u>

**NOTE 7. PENSION PLAN**

**Defined Benefit Pension Plan**

***Plan Description***

The Jackson County Emergency Communications 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.

**JACKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2016

**NOTE 7. PENSION PLAN (continued)**

***Benefits Provided***

Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

***Contributions***

PERS members are required to contribute 9.00% of their annual covered salary and the Jackson County Emergency Communications District is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2016 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature.

The Jackson County Emergency Communications District's contribution to PERS for the year ended September 30, 2016, 2015, and 2014 was \$20,741, \$19,174, and \$18,438 respectively, which equal to the required contributions for each year.

**JACKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2016

**NOTE 7. PENSION PLAN (continued)**

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

At September 30, 2016, the District reported a liability of \$357,250 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016 the District's proportion was 0.0020%, which was an increase of 0.0001% from its proportion measured as of June 30, 2015.

For the year ended September 30, 2016, the District recognized pension expense of \$47,407. At September 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experiences	\$ 9,964	-
Changes of assumptions	16,841	949
Net difference between projected and actual earnings on pension plan investments	24,203	-
Changes in proportion and differences between District contributions and proportionate share of contributions	10,098	-
District contributions subsequent to the measurement date	5,385	-
Total	<u>\$ 66,491</u>	<u>949</u>

\$5,385 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended September 30, :**

2017	\$ 21,092
2018	16,798
2019	15,210
2020	7,057
2021	-
Thereafter	-
<b>Total</b>	<u>\$ 60,157</u>

**JACKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2016

**NOTE 7. PENSION PLAN (continued)**

***Actuarial assumptions***

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75-19.00%, average, including inflation
Investment rate of return	7.75%, net of pension plan investments expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2016 with males rates set forward one year.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016, are summarized in the following table:

<b>Asset class</b>	<b>Target Allocation</b>	<b>Long-term expected real rate of return</b>
U.S. Broad	34.00 %	5.20
International equity	19.00	5.00
Emerging markets equity	8.00	5.45
Fixed income	20.00	0.25
Real assets	10.00	4.00
Private equity	8.00	6.15
Cash	1.00	(0.50)
<b>Total</b>	<b>100.00 %</b>	

**JACKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2016

**NOTE 7. PENSION PLAN (continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate***

The following table presents the net pension liability of the cost-sharing plan, calculated using the discount rate of 7.75%, as well as what the plan's 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:

	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
District's proportionate share of the net pension liability	\$ 458,075	357,250	273,598

***Pension plan fiduciary net position***

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



**JACKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2016

**NOTE 8. DEFERRED COMPENSATION PLAN**

Employees of the District are eligible to participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code (IRC) Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

Under the deferred compensation plan, which is available to all employees of the District, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portions until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency. The deferred compensation plan is administered by the Board of Trustees of the Public Employees Retirement System of Mississippi. The plan's assets are held in trust by the Public Employees Retirement System of Mississippi for the exclusive benefit of the participants and beneficiaries of the plan and are not subject to the general creditors of the District. As a result, the plan's assets are not reflected in an agency fund of the District.

There are no employees participating in the plan as of September 30, 2016.

**NOTE 9. PRIOR PERIOD ADJUSTMENT**

A prior period adjustment of \$1,265,932 was made to correct September 30, 2015 net assets related to the implementation of GASB 68 and 71, and a capital lease.

Net position, September 30, 2015 as originally presented	\$ 1,389,248
To correct the following balances:	
Radio Equipment	1,304,120
Net pension liability	(63,078)
Deferred outflows related to pensions	(653)
Deferred inflows related to pensions	<u>25,543</u>
Total prior period adjustments	<u>1,265,932</u>
Net position as restated, September 30, 2015	\$ <u>2,655,180</u>

**NOTE 10. SUBSEQUENT EVENTS**

Events that occur after the statement of net position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management of Jackson County Emergency Communications District evaluated the activity of the district through January 23, 2017, (the date the financial statements were available to be issued).

**Component Unit**  
**Jackson County Port Authority**

Notes to the Financial Statements  
For the year ended September 30, 2016

**JACKSON COUNTY PORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2016

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

The Jackson County Port Authority was created in 1956 under Chapter 199 of the Laws of the State of Mississippi. The Port Authority was given exclusive jurisdiction over all improvements resulting from the acts (harbors, waters, vessels, etc.) for the purpose of importing and exporting goods under a tariff approved by the Federal Maritime Commission. The Port Authority is also charged with the operations of an industrial water supply system, a water pollution control system and a water cooling lake. The Port Authority is comprised of Commissioners appointed by the Jackson County Board of Supervisors and the Governor of the State of Mississippi. The Commissioners set rules and regulations regarding policies of the Port Authority, but day-to-day operations are carried out by a Port Director and staff.

The Jackson County Port Authority is a component unit of Jackson County, Mississippi, the primary government. A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate. The Jackson County Port Authority has significant operational and functional relationships with Jackson County, Mississippi.

The financial statements of the Port Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units, hereinafter referred to as GAAP (generally accepted accounting principles). The accepted standard-setting body of establishing governmental accounting and financial reporting principles is GASB (the Governmental Accounting Standards Board).

The Port Authority does not have any component units as defined by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an Amendment of GASB Statement No. 14*.

**B. Basis of Presentation**

***Government-wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

**JACKSON COUNTY PORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2016

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Fund Financial Statements***

Financial statements of the reporting entity are organized into funds each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows/inflows, liabilities, net position/fund equity, revenues, and expenditures/expenses.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The Port Authority reports the difference between its governmental fund assets and deferred outflows of resources, and its liabilities and deferred inflows of resources, as fund balance.

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The proprietary funds are classified as enterprise funds.

Fiduciary funds are those used to account for funds held by the Port Authority in trust for others that cannot be used to support the Port Authority's programs.

Funds are organized as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds with the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Port Authority or meets the following criteria:

- ◆ Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are a least 10 percent of the corresponding total for all funds of that category or type, and
- ◆ The same element of the individual governmental fund or enterprise fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- ◆ In addition, any other governmental or enterprise fund that the Port Authority believes is particularly important to financial statement users may be reported as a major fund.

**JACKSON COUNTY PORT AUTHORITY**  
NOTES TO BASIC FINANCIAL STATEMENTS  
September 30, 2016

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The Port Authority reports the following major funds:

*Major Governmental Funds*

- ◆ Gross Receipts Operating Fund is the general operating fund of the Port Authority. It is used to account for all financial resources except those required to be accounted for in another fund.
- ◆ Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds). During the year ended September 30, 2016, the Port Authority had two capital project funds: the Harbor Maintenance Fund and the Rail, Wood Pellet Fund.

*Major Enterprise Funds*

- ◆ Bayou Casotte Water System fund accounts for operations of the Port Authority's water distribution system.
- ◆ Singing River Island fund accounts for operations of the Singing River Island.
- ◆ Industrial Parks fund accounts for operations of the Industrial Park.
- ◆ Black Creek Cooling Facility fund accounts for operations of the Port Authority's cooling facility.

The Port Authority reports the following non-major funds:

*Non-Major Governmental Funds*

- ◆ Special revenue funds are used to account for and report the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes, (other than debt service or capital projects) as follows:
  - ◇ Port Day Fund
  - ◇ Transportation Security Administration Round 2 Fund
  - ◇ Transportation Security Administration Round 3 Fund
- ◆ Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest and related costs, other than enterprise debt. Currently, there is one debt service fund, the Bond Redemption fund.

**JACKSON COUNTY PORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2016

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

In addition, the Port Authority reports the following fund types:

*Fiduciary Funds*

- ◆ The Mississippi Corps of Engineers fund is a private-purpose trust fund which is used to report all other trust arrangements under which principal and/or income benefit individuals, private organizations or other governments. The purpose of the fund is to make improvements to the channel. Angola LNG will be making the improvements and the Jackson County Port Authority is the channel sponsor.

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

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and unearned revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Port Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Intergovernmental aids and grants are recognized as revenues in the period the Port Authority is entitled to the resources and the amounts are available. Amounts owed to the Port Authority which are not available are recorded as receivables and unearned revenues. Amounts received prior to the entitlement period are also recorded as unearned revenues.

**JACKSON COUNTY PORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2016

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The Port Authority reports unearned revenues on its governmental funds balance sheet. Unearned revenues arise from taxes levied in the current year which are for subsequent year's operations. For governmental fund financial statements, unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received before the Port Authority has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Port Authority has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Proprietary and fiduciary fund financial statements (other than agency funds) are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note.

The enterprise funds follow all pronouncements of the Governmental Accounting Standards Board. The proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**D. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position/Fund Balances**

***Deposits***

The Port Authority deposits excess funds in the financial institution selected by the Board of Commissioners. The Port Authority considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents. All cash and cash equivalents are reported at their carrying amounts, which reasonably approximates fair value.

***Receivables***

All trade receivables are reported net of an allowance for uncollectible, where applicable. Unbilled charges are accrued as receivables and revenue at September 30, 2016.

***Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items, such as prepaid insurance, are not reported for Governmental Fund Types since the costs of such items are accounted for as expenditures in the period of acquisition.

**JACKSON COUNTY PORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2016

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Capital Assets***

General capital assets are those capital assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The Port Authority reports these assets in the governmental activities column of the government-wide statement of net position but does not report these assets in the governmental fund financial statements. Capital position utilized by enterprise funds are reported both in the business-type activities column of the government-wide statement of net position and in the enterprise funds' statement of net position.

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the Port Authority's historical records of necessary improvements and replacement. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Water systems	30-35 years
Machinery and equipment	5-10 years
Improvements	5-35 years
Other infrastructures	10-50 years
Vehicles	5 years

***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 (expenses/expenditure) until then. The Port Authority has a deferred outflow which is presented as a deferred outflow of resources related to pension obligations.

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 a consumption of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The Port Authority has a deferred inflow which is presented as a deferred inflow of resources related to pension obligations.



**JACKSON COUNTY PORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2016

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Compensated Absences***

Vacation benefits and sick leave are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Port Authority will compensate the employees for the benefits through paid time off or some other means.

All compensated absences liabilities include salary-related payments, where applicable.

The Port Authority accrues accumulated unpaid vacation leave at the end of the fiscal year. The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated liability in each individual fund at the fund reporting level. Governmental funds report the compensated liability at the fund reporting level only "when due". The non-current portion (the amount estimated to be used beyond the next fiscal year) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

The Port Authority's policy allows employees to accumulate unused sick leave on an unlimited basis and vacation leave up to two years before reaching their vacation 'cap'. Upon termination, any accumulated vacation will be paid to the employee up to 240 hours. Any earned vacation hours in excess of 240 hours is certified and sent to the Public Employees Retirement System (PERS). Sick leave is not paid upon termination, however, any unused sick time is also certified and sent to PERS.

***Accrued Liabilities and Long-term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year. Capital leases are recognized as a liability in the governmental fund financial statements when due.

***Debt Premiums, Discounts and Issuance Costs***

On the government-wide statement of net position and the proprietary fund type statement of net position, debt premiums and discounts are netted against debt payable and debt issuance costs are recognized as an outflow of resources in the period incurred. On the government-wide and proprietary fund type statement of activities, unamortized debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method.

At the governmental fund reporting level, debt fund reporting level, debt premiums and discounts are reported as other financing sources and uses, separately from the face amount of the debt issued. Debt issuance costs are reported as debt service expenditures.

**JACKSON COUNTY PORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2016

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***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 Mississippi Public Employees' Retirement System and additions to/deductions from the Systems' fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, 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.

***Net Position/Fund Equity***

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

In the Government-Wide financial statements, the difference between the Port Authority's total assets and deferred outflows of resources, total liabilities and deferred inflows of resources represents net position. Net position displays three components:

- ◆ Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, constructions or improvement of those assets.
- ◆ Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditor, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.
- ◆ Unrestricted net position - All other net position not meeting the definition of "restricted" or "invested in capital assets, net of related debt." Unrestricted net position represents the net position available for future operations.

Generally, governmental fund balances represent the difference between assets and deferred outflows of resources, liabilities and deferred inflows of resources. Fund balances for governmental funds are 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. Fund balances are classified as follows:

- ◆ Nonspendable - Includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

**JACKSON COUNTY PORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2016

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- ◆ Restricted - Includes amounts that have constraints placed upon the use of the resources either by external party or imposed by law through a constitutional provision or enabling legislation.
- ◆ Committed - Includes amounts that can be used only for specific purposes pursuant to constraints imposed by a formal action of the Board of Commissioners as approved in the board minutes.
- ◆ Assigned - Includes amounts that are constrained by the Port Authority's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed.
- ◆ Unassigned - 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 if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the Port Authority's general policy to use restricted resources first. When expenditures 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 Port Authority's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

The Port Authority has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

Revenue Source:	Legal Restrictions in Use of Funds:
Grant revenue from Jackson County, MS	Debt service and capital improvements
Grant revenue from the State of Mississippi	Capital improvements
Lease income from Signal International, LLC	Channel dredging
Grant revenue from Economic Development Foundation	Capital improvements
Grant revenue from Transportation Security Administration	Security improvements

For the year ended September 30, 2016, the Port Authority complied, in all material respects, with these revenue restrictions.

The Port Authority does not have a minimum fund balance policy.

**JACKSON COUNTY PORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Revenues***

Substantially all governmental fund revenues are accrued. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASB Statement No. 33. In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and unearned revenue by the recipient.

***Expenditures***

Expenditures are recognized when the related fund liability is incurred.

***Internal Activity***

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund from which expenditures were initially made that are properly applicable to another fund are recorded as expenditures in the fund that is reimbursed. Outstanding reimbursements are recorded as due to or from other funds. Net receivables or payables from other funds are reported as internal balances in the government-wide statement of net position.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

***Use of Estimates***

The preparation of the financial statement in conformity with account principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

***New GASB Pronouncements***

The Governmental Accounting Standards Board has issued several new pronouncements that the Port Authority has reviewed for application to their accounting and reporting.

GASB Statement No. 72, *Fair Value Measurement and Application*, is effective for the periods beginning after June 15, 2015. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Port Authority has implemented this reporting requirement for the year ended September 30, 2016.

**JACKSON COUNTY PORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2016

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB 68, and Amendments to certain Provisions of GASB 67 and 68*, is effective for the periods beginning after June 15, 2015. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Port Authority has implemented this reporting requirement for the year ended September 30, 2016.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, is effective for the periods beginning after June 15, 2015. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of GAAP. The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The Port Authority has implemented this reporting requirement for the year ended September 30, 2016.

**NOTE 2. DEPOSITS**

State law requires that all deposits in excess of FDIC insurance limits be 105% collateralized by U.S. Government obligations or by state municipal obligations that have a market value of not less than the principal amount of the deposits. The collateral for public entities’ deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State legislature and is governed by Section 27-1-5-5 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.

**JACKSON COUNTY PORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2016

**NOTE 2. DEPOSITS (continued)**

At year-end, the carrying amount of the Port Authority's deposits was \$29,575,162, and the respective bank balances totaled \$29,290,754. The bank balance is categorized as follows:

Amount collateralized with securities held in the State of Mississippi collateral pool on behalf of the Port Authority	\$ 29,040,754
Amounts held at various financial institutions covered under Federal Depository Insurance	250,000
	<u>\$ 29,290,754</u>

The Port Authority's deposits were fully collateralized as required by statutes at September 30, 2016.

The table presented below is a summary of restricted cash at September 30, 2016:

	<b>Restricted Cash</b>
Bayou Casotte Water System - Cash held in escrow	\$ 292,235
Harbor Maintenance	7,175,587
Rail, Wood Pellet	8,717,438
Unemployment Fund Reserve	<u>15,000</u>
<b>Total restricted cash</b>	<u>\$ 16,200,260</u>

**NOTE 3. CONCENTRATION OF CREDIT RISK**

**A. Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of the failure of a financial institution, the Port Authority will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Port Authority does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the Port Authority. 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 Port Authority.

**JACKSON COUNTY PORT AUTHORITY**  
NOTES TO BASIC FINANCIAL STATEMENTS  
September 30, 2016

**NOTE 4. ACCOUNTS RECEIVABLE**

Accounts receivable at September 30, 2016 consisted of the following:

	<u>Accounts Receivable</u>	<u>Allowance for Uncollectible Accounts</u>	<u>Net Accounts Receivable</u>
<b>Governmental Activities:</b>			
Terminal Operations	\$ 3,438,096	300,977	3,137,119
Total governmental	<u>3,438,096</u>	<u>300,977</u>	<u>3,137,119</u>
<b>Business-type Activates:</b>			
Bayou Casotte Water Supply	973,157	96,135	877,022
Singing River Island	227,752	-	227,752
Industrial Parks	17,853	5,833	12,020
Black Creek Cooling Facility	<u>314,278</u>	<u>-</u>	<u>314,278</u>
Total enterprise	<u>1,533,040</u>	<u>101,968</u>	<u>1,431,072</u>
<b>Total primary government</b>	<u><u>\$ 4,971,136</u></u>	<u><u>402,945</u></u>	<u><u>4,568,191</u></u>

**JACKSON COUNTY PORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2016

**NOTE 5. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2016 is summarized in the following table.

	<b>Primary Government</b>		
	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>
			<b>Ending Balance</b>
<b>Governmental activities:</b>			
Capital assets not being depreciated:			
Land and improvements	\$ 4,595,659	-	4,595,659
Construction in progress	<u>770,273</u>	<u>3,737,213</u>	<u>3,673,915</u>
Total capital assets not being depreciated	<u>5,365,932</u>	<u>3,737,213</u>	<u>8,269,574</u>
Capital assets being depreciated:			
Infrastructure	49,159,865	833,571	49,993,436
Buildings and improvements	63,083,037	21,755	63,104,792
Furniture fixtures and other equipment	<u>1,677,325</u>	<u>72,286</u>	<u>1,749,611</u>
Total capital assets being depreciated	<u>113,920,227</u>	<u>927,612</u>	<u>114,847,839</u>
Total governmental activities capital assets	<u>119,286,159</u>	<u>4,664,825</u>	<u>123,117,413</u>
Less accumulated depreciation for:			
Infrastructure	16,196,401	4,260,171	20,456,572
Buildings and improvements	38,105,106	3,829,401	41,934,507
Furniture fixtures and other equipment	<u>1,274,308</u>	<u>189,757</u>	<u>1,464,065</u>
Total accumulated depreciation	<u>55,575,815</u>	<u>8,279,329</u>	<u>63,855,144</u>
<b>Governmental activities capital assets, net</b>	<u>63,710,344</u>	<u>(3,614,504)</u>	<u>59,262,269</u>
<b>Business-type activities:</b>			
Capital assets not being depreciated:			
Land	1,512,261	-	1,261,261
Construction in progress	<u>2,195,826</u>	<u>2,375,093</u>	<u>4,442,197</u>
Total capital assets not being depreciated	<u>3,708,087</u>	<u>2,375,093</u>	<u>5,703,458</u>
Capital assets being depreciated:			
Bayou Casotte Water Supply System	47,553,062	220,913	47,773,975
Black Creek Cooling Facility	1,482,696	22,894	1,505,590
Industrial Parks	834,922	-	834,922
Singing River Island	<u>120,745</u>	<u>40,939</u>	<u>161,684</u>
Total capital assets being depreciated	<u>49,991,425</u>	<u>284,746</u>	<u>50,276,171</u>
Total business-type activities capital assets	<u>53,699,512</u>	<u>2,659,839</u>	<u>55,979,629</u>
Less accumulated depreciation for:			
Buildings and improvements	20,408,853	528,156	20,937,009
Furniture fixtures and other equipment	1,335,795	211,764	1,547,559
Infrastructure	<u>2,719,565</u>	<u>760,083</u>	<u>3,479,648</u>
Total accumulated depreciation	<u>24,464,213</u>	<u>1,500,003</u>	<u>25,964,216</u>
<b>Business-type activities capital assets, net</b>	<u>29,235,299</u>	<u>1,159,836</u>	<u>30,015,413</u>
<b>Total primary government</b>	<u>\$ 92,945,643</u>	<u>(2,454,668)</u>	<u>89,277,682</u>



**JACKSON COUNTY PORT AUTHORITY**  
NOTES TO BASIC FINANCIAL STATEMENTS  
September 30, 2016

**NOTE 5. CAPITAL ASSETS (continued)**

During the fiscal year ended September 30, 2016 depreciation expense was charged as follows:

**Governmental activities:**

Terminal operations	\$ 8,279,329
<b>Total governmental activities depreciation expense</b>	<b><u>8,279,329</u></b>

**Business-type activities:**

Bayou Casotte Water System	1,383,485
Singing River Island	25,488
Industrial Parks	40,642
Black Creek Cooling Facility	<u>63,920</u>
<b>Total business-type activities depreciation expense</b>	<b><u>\$ 1,513,535</u></b>

As of September 30, 2016, the Port Authority has active construction projects with total expenditures accumulated commitments as follows:

Project	Spent to September 30, 2016	Remaining Commitment
Rail, Wood Pellet	\$ 3,673,915	2,592,703
Phase I of new Distribution Pipeline*	526,061	-
Phase II of new Distribution Pipeline*	71,772	-
Phase III - Rehabilitation of Distribution Pipeline*	643,219	289,802
Replace Valves on Water Distribution Line	42,699	249,576
Repair West Reservoir Asphalt Liner	26,476	1,695,801
New Filter System at IWP **	110,999	-
Construction of New Filter System at IWP**	1,559,423	610,447
Phase I of Embankment Rehabilitation Project***	914,352	-
Phase II of Embankment Rehabilitation Project***	500,909	-
Phase III of Embankment Rehabilitation Project***	<u>46,287</u>	<u>1,098,461</u>
<b>Total</b>	<b><u>\$ 8,116,112</u></b>	<b><u>6,536,790</u></b>

\* Phases I, II, and III of the Distribution Pipeline will be capitalized together when total project is complete.

\*\* The New Filter System Project will be capitalized together when total project is complete.

\*\*\* Phases I, II, and III of the Embankment Rehabilitation Project will be capitalized together when total project is complete.

**JACKSON COUNTY PORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2016

**NOTE 6. LONG-TERM LIABILITIES**

The Port Authority's long-term liabilities are segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities. Long-term liability activity for the year ended September 30, 2016 is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental activities:</b>					
Other liabilities:					
Compensated absences	\$ 174,540	-	(8,882)	165,658	24,111
Net pension liability	<u>3,842,520</u>	<u>1,703,335</u>	<u>-</u>	<u>5,545,855</u>	<u>-</u>
<b>Total governmental activities long-term liabilities</b>	<b>\$ <u>4,017,060</u></b>	<b><u>1,703,335</u></b>	<b><u>(8,882)</u></b>	<b><u>5,711,513</u></b>	<b><u>24,111</u></b>
<b>Business-type activities:</b>					
Bonds and notes payable:					
Bonds payable	\$ 36,840,000	-	-	36,840,000	-
Less unamortized discount	<u>(121,789)</u>	<u>-</u>	<u>13,532</u>	<u>(108,257)</u>	<u>-</u>
Total bonds and notes payable	<u>36,718,211</u>	<u>-</u>	<u>13,532</u>	<u>36,731,743</u>	<u>-</u>
Other liabilities:					
Compensated absences	62,578	-	(4,070)	58,508	16,332
Net pension liability	<u>2,340,692</u>	<u>1,044,703</u>	<u>-</u>	<u>3,385,395</u>	<u>-</u>
<b>Total business-type activities long-term liabilities</b>	<b>\$ <u>39,121,481</u></b>	<b><u>1,044,703</u></b>	<b><u>9,462</u></b>	<b><u>40,175,646</u></b>	<b><u>16,332</u></b>

**A. General Obligation Bonds**

Series 1994 Refunding – During November 1994, \$12,840,000 of General Obligation Bonds were issued to advance refund the Series A and Series B revenue bonds for the Bayou Casotte Water System (an enterprise fund). The bonds are carried on the balance sheet of the fund. The interest rates are variable and subject to change pursuant to a remarketing agreement. Chevron USA, Inc. has guaranteed the payment of principal and interest on these bonds.

Associated with this bond is an unamortized discount arising from the refunding. This discount is being amortized over the remaining life of the refunded bonds using the straight-line method. The detail balance of this General Obligation Bond as of September 30, 2016 is as follows:

Bonds Payable	\$ 12,840,000
Unamortized discount	<u>(108,257)</u>
	<b>\$ <u>12,731,743</u></b>

**JACKSON COUNTY PORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2016

**NOTE 6. LONG-TERM LIABILITIES (continued)**

**B. Special Obligation Bonds**

Series 2009 Special Obligation - During December 2009, \$24,000,000 of Special Obligation Bonds were issued to provide funds to expand and improve the industrial water supply system established by Jackson County and the Port Authority and to provide water to various industries in Jackson County. The bonds are carried on the balance sheet of the Bayou Casotte fund. The interest rates are variable and subject to change pursuant to a remarketing agreement. Chevron USA, Inc. has guaranteed the payment of principal and interest on these bonds. In case of default by Chevron USA, Inc., the Port Authority is responsible for the payment of principal and interest of this debt from water revenues.

Annual debt service requirements to maturity for the general and special obligation bonds are as follows:

		<b>Business-type Activities</b>	
		<b><u>Principal</u></b>	<b><u>Interest*</u></b>
<b>Amounts due fiscal year ending September 30,</b>			
	2017	\$ -	70,620
	2018	-	70,620
	2019	-	70,620
	2020	-	70,620
	2021	-	70,620
	2022 - 2039	<u>36,840,000</u>	<u>1,271,160</u>
	<b>Total</b>	<b><u>\$ 36,840,000</u></b>	<b><u>1,624,260</u></b>

\* Interest is estimated based on rates at September 30, 2016 for both the 1994 Refunding bonds and the 2009 Special Obligation bonds.

**JACKSON COUNTY PORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 7. INTERFUND BALANCES**

Interfund balances as of September 30, 2016 are as follows:

DUE FROM:	DUE TO:							Total
	Governmental Activities			Business-type Activities				
	General Fund	Harbor Maint.	Other Non-Major Funds	Bayou Casotte Water System	Singing River Island	Industrial Parks	Black Creek Cooling Facility	
Governmental Activities:								
General Fund	\$ -	-	12,887	-	-	-	-	12,887
Harbor Maintenance	22,760	-	-	-	-	-	-	22,760
Other Non-Major Funds	8,869	-	-	-	-	-	-	8,869
Total	<u>\$ 31,629</u>	<u>-</u>	<u>12,887</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,516</u>
Business-type Activities:								
Bayou Casotte Water System	\$ 23,595	-	-	-	-	-	-	23,595
Singing River Island	151,485	-	-	-	-	-	-	151,485
Industrial Parks	500	-	-	400	-	-	-	900
Black Creek Cooling Facility	51,857	-	-	-	-	-	-	51,857
Total	<u>\$ 227,437</u>	<u>-</u>	<u>-</u>	<u>400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>227,837</u>

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**NOTE 8. INTERFUND TRANSFERS**

Interfund transfers for the year ended September 30, 2016 are as follows:

TRANSFERS IN:	TRANSFERS OUT:							Total
	Governmental Activities			Business-type Activities				
	General Fund	Harbor Maintenance	Other Non-Major Funds	Bayou Casotte Water System	Singing River Island	Industrial Parks	Black Creek Cooling Facility	
Governmental Activities:								
General Fund	\$ -	-	-	52,795	150,000	2,000	65,332	270,127
Total	\$ -	-	-	52,795	150,000	2,000	65,332	270,127

Transfers are used to (a) move revenues from the fund that statute or budget requires collecting to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

**JACKSON COUNTY PORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2016

**NOTE 9. PENSIONS**

**A. Defined Benefit Pension Plan**

***Plan Description***

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

***Benefits Provided***

Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

***Contributions***

PERS members are required to contribute 9.00% of their annual covered salary and the Port Authority is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2016 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature.

**JACKSON COUNTY PORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 9. PENSIONS (continued)**

The Port Authority's contribution to PERS for the years ended September 30, 2016, 2015, and 2014 were \$460,853, \$436,597, and \$409,981 respectively, which equal to the required contributions for each year.

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

At September 30, 2016, the Port Authority reported a liability of \$8,931,250 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Port Authority's proportion of the net pension liability was based on a projection of the Port Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Port Authority's proportion was 0.05 percent, which was an increase of 0.01 percent from its proportion measured as of June 30, 2015.

For the year ended September 30, 2016, the Port Authority recognized pension expense of \$1,469,424. At September 30, 2016, the Port Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experiences	\$ 249,118	-
Changes of assumptions	421,038	23,733
Net difference between projected and actual earnings on pension plan investments	605,049	-
Changes in proportion and differences between Port Authority contributions and proportionate share of contributions	1,021,927	-
Port Authority contributions subsequent to the measurement date	<u>121,072</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 2,418,204</u></b>	<b><u>23,733</u></b>

\$121,072 reported as deferred outflows of resources related to pensions resulting from Port Authority contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ending September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ending September 30,:</b>	
2017	\$ 813,161
2018	703,920
2019	579,878
2020	176,440
2021	-
Thereafter	<u>-</u>
<b>Total</b>	<b><u>\$ 2,273,399</u></b>

**JACKSON COUNTY PORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**NOTE 9. PENSIONS (continued)**

***Actuarial assumptions***

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75-19.00%, average, including inflation
Investment rate of return	7.75%, net of pension plan investments expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2016 with males rates set forward one year.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016, are summarized in the following table:

<b>Asset class</b>	<b>Target Allocation</b>	<b>Long-term expected real rate of return</b>
U.S. Broad	34.00 %	5.20
International equity	19.00	5.00
Emerging markets equity	8.00	5.45
Fixed income	20.00	0.25
Real assets	10.00	4.00
Private equity	8.00	6.15
Cash	1.00	(0.50)
<b>Total</b>	<b>100.00 %</b>	

**JACKSON COUNTY PORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2016

**NOTE 9. PENSIONS (continued)**

***Discount Rate***

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the Port Authority's proportionate share of the net pension liability to changes in the discount rate***

The following table presents the net pension liability of the cost-sharing plan, calculated using the discount rate of 7.75%, as well as what the plan's 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:

	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
Port Authority's proportionate share of the net pension liability	\$ 11,451,863	8,931,250	6,839,956

***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. COMMITMENTS AND CONTINGENCIES**

**A. Federal Grants**

The Port Authority participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed by management to be material.

**B. Litigation**

The Port Authority is party to legal proceedings that occur in the normal course of operations. Estimates of ultimate outcome or liability, if any, is not possible at the present time. However, the Port Authority's legal counsel believes that ultimate liability resulting from lawsuits will not have a material adverse effect on the financial condition of the Port Authority.



**JACKSON COUNTY PORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2016

**NOTE 10. COMMITMENTS AND CONTINGENCIES (continued)**

**C. Risk Management**

The Port Authority 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 Port Authority 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.

**D. Operating Leases**

The Port Authority operates several leases that are no money leases. These leases are meant to benefit the City of Pascagoula, Jackson County, Mississippi, and the Port Authority. The Port Authority cannot sublease these leases.

**NOTE 11. OPERATING LEASES IN STATEMENTS OF LESSOR**

The Port Authority leases various properties to several lessors during the year. These lease agreements are classified as operating leases for accounting purposes and paid on a monthly, quarterly, and yearly basis with corresponding renewal options. The leased properties have a cost of \$41,334,237 with a carrying value of \$30,367,334.

The future minimum lease rentals are as follows:

<b>Year ending September 30,</b>	<b><u>Minimum lease rental</u></b>
2017	\$ 900,293
2018	900,293
2019	900,293
2020	900,293
2021	<u>875,294</u>
<b>Total</b>	<b><u>\$ 4,476,466</u></b>

**NOTE 12. RELATED PARTY TRANSACTIONS**

Jackson County, Mississippi, of which the Port Authority is a component unit, has issued general long-term debt under the Port Act under Title 59 of the Mississippi Code of 1972. There was one general obligation bond and one special obligation bond outstanding as of September 30, 2016, with a combined balance of \$36,731,743. All of this debt is administered by the Jackson County Chancery Clerk's office, and all payments thereon are provided by Jackson County with the exception of the \$12,840,000 bonds payable in the business-type funds. Payment of this debt will be managed by Chevron when due.

**JACKSON COUNTY PORT AUTHORITY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
September 30, 2016

**NOTE 13. INDIVIDUAL FUND FINANCIAL STATEMENTS**

The financial statements for the Bayou Casotte Industrial Water System and the Black Creek Cooling Facility – Operating Fund were issued individually to comply with provisions of their respective authorizing bond resolutions.

**NOTE 14. DEFICIT FUND BALANCES**

The Bayou Casotte Water Supply System Fund, which is presented in the financial statements as an enterprise fund had a deficit fund net position of \$9,934,750 as of September 30, 2016. The Rail, Wood Pellet Fund, which is represented in the financial statements as a major governmental fund had a deficit fund balance of \$8,279,329 as of September 30, 2016.

**NOTE 15. PRIOR PERIOD ADJUSTMENTS**

Prior period adjustments totaling \$46,340 were made to correct September 30, 2015 net position related to the understatement of payroll expenses.

Net position, September 30, 2015 as originally presented	\$ 69,096,177
To correct understatement of payroll expenses	<u>(46,340)</u>
Total prior period adjustments	<u>(46,340)</u>
<b>Net position as restated, September 30, 2015</b>	<b>\$ <u>69,049,837</u></b>

**NOTE 16. SUBSEQUENT EVENTS**

Events that occur after the statement of net position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management of the Port Authority evaluated the activity of the entity through January 25, 2017, the date that the financial statements. The following item was noted:

- ◆ In December 2015, the Port Authority and Jackson County, Mississippi entered into a debt service agreement in which the County agreed to issue up to \$24,000,000 in general obligation bonds to be used for construction of the wood pellet facility and rail navigation. The Port Authority agreed to make all payments of principal and interest, as they become due. As of the date of this report, the bonds have not been issued.

**Component Unit**  
**Jackson-George Regional Library System**

Notes to the Financial Statements  
For the year ended September 30, 2016

**JACKSON-GEORGE REGIONAL LIBRARY SYSTEM**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2016

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

The Jackson-George Regional Library System (the Library System) was created through a contract between Jackson and George counties. The Library System is managed by a regional Board of Trustees, who are appointed by the Board of Supervisors of each county. The Regional Board sets policies and budgets for the eight libraries in the System. The Library System is funded primarily by the tax levies of the counties and cities included in the System.

The financial statements of the Library System have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units, hereinafter referred to as GAAP (generally accepted accounting principles). The accepted standard-setting body of establishing governmental accounting and financial reporting principles is GASB (the Governmental Accounting Standards Board).

The Library System does not have any component units as defined by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an Amendment of GASB Statement No. 14*.

**B. Basis of Presentation**

***Government-Wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

***Fund Financial Statements***

Financial statements of the reporting entity are organized into funds each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, net position/fund equity, revenues, and expenditures/expenses.

**JACKSON-GEORGE REGIONAL LIBRARY SYSTEM**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2016

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The Library System reports the difference between its governmental fund assets and deferred outflows of resources, and its liabilities and deferred inflows of resources, as fund balance.

Funds are organized as major funds or non-major funds within the governmental statements. An emphasis is placed on major funds with the governmental categories. A fund is considered major if it is the primary operating fund of the Library System or meets the following criteria:

- ◆ Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are a least 10 percent of the corresponding total for all funds of that category or type, and
- ◆ The same element of the individual governmental fund or enterprise fund that met the 10 percent test is a least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- ◆ In addition, any other governmental or enterprise fund that the Library System believes is particularly important to financial statement users may be reported as a major fund.

The Library System reports the following major funds:

General fund is the general operating fund of the Library System. It is used to account for all financial resources except those required to be accounted for in another fund.

Grants Management fund (special revenue fund) is used to account for the proceeds of specific revenue sources from grants that are legally restricted to expenditures for specified purposes.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**JACKSON-GEORGE REGIONAL LIBRARY SYSTEM**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2016

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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. 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 Library System considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

County taxes associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library System.

**D. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position/Fund Balances**

***Deposits***

The Library System deposits excess funds in the financial institution selected by the Board of Trustees. Cash deposits are reported at carrying amounts which reasonably estimate fair value.

***Receivables and Payables***

All receivables and payables are shown at their net realizable value. Management expects to collect entire amounts due and therefore has not established an allowance for uncollectible accounts.

***Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items, such as prepaid insurance, are not reported for Governmental Fund Types since the costs of such items are accounted for as expenditures in the period of acquisition.

***Capital Assets***

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Furniture and fixtures	5 years
Computer equipment	5 years
Library materials	5 years

**JACKSON-GEORGE REGIONAL LIBRARY SYSTEM**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2016

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Compensated Absences***

Paid annual leave is granted to salaried employees regularly scheduled to work 20 or more hours per week. Annual leave is accumulated based on a full-time 37.5 hour work week and is earned in varying amounts depending on the years of service with the Library System. After six full calendar months of continuous service, the employee will be paid for earned but unused annual leave up to a maximum of 240 hours. Additional accrued annual leave is credited to the State Retirement. The maximum amount that can be credited to the State Retirement is 11,200 hours of combined accrued unused sick and annual leave. The employee may elect to have all earned but unused annual leave credited to State Retirement.

Paid sick leave is granted to all salaried employees regularly scheduled to work 20 or more hours per week. Sick leave is accumulated at a rate of 120 hours per year based on a full-time 37.5 hour workweek. Employees can only be paid for sick leave for actual time missed due to qualified sick leave absences. Upon termination, no payment is made to employees for accumulated sick leave; however, the unused hours are credited to State Retirement. As stated above, the maximum amount of combined accrued unused annual and sick leave that may be credited to State Retirement is 11,200 hours.

***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 Mississippi Public Employees' Retirement System and additions to/deductions from the Systems' fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, 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.

***Revenues***

Substantially all governmental fund revenues are accrued. In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient. Fines are recognized as revenue when they are considered measurable, or at the time of receipt.

***Expenditures***

Expenditures are recognized when the related fund liability is incurred.

**JACKSON-GEORGE REGIONAL LIBRARY SYSTEM**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2016

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Net Position/Fund Equity*

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

In the Government-Wide financial statements, the difference between the Library System's total assets and deferred outflows of resources, total liabilities and deferred inflows of resources represents net position. Net position displays three components:

- ◆ Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, constructions or improvement of those assets.
- ◆ Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditor, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.
- ◆ Unrestricted net position - All other net position not meeting the definition of "restricted" or "invested in capital assets, net of related debt." Unrestricted net position represents the net position available for future operations.

Generally, governmental fund balances represent the difference between assets and deferred outflows of resources, liabilities and deferred inflows of resources. Fund balances for governmental funds are 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. Fund balances are classified as follows:

- ◆ Nonspendable - Includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.
- ◆ Restricted - Includes amounts that have constraints placed upon the use of the resources either by external party or imposed by law through a constitutional provision or enabling legislation.
- ◆ Committed - Includes amounts that can be used only for specific purposes pursuant to constraints imposed by a formal action of the Board of Trustees as approved in the board minutes.



**JACKSON-GEORGE REGIONAL LIBRARY SYSTEM**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2016

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- ◆ Assigned - Includes amounts that are constrained by management of the Library System'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 classified as nonspendable and is neither restricted nor committed.
- ◆ Unassigned - 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 if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the Library Systems's general policy to use restricted resources first. When expenditures 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 Library's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

The Library System does not have a minimum fund balance policy.

*Internal Activity*

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund from which expenditures were initially made that are properly applicable to another fund are recorded as expenditures in the fund that is reimbursed. Outstanding reimbursements are recorded as due to or from other funds. Net receivables or payables from other funds are reported as internal balances in the government-wide statement of net position.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

*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 (expenses/expenditure) until then. The Library System has a deferred outflow which is presented as a deferred outflow of resources related to pension obligations.

**JACKSON-GEORGE REGIONAL LIBRARY SYSTEM**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2016

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 a consumption of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The Library System has a deferred inflow which is presented as a deferred inflow of resources related to pension obligations.

*Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

*New GASB Pronouncements*

The Governmental Accounting Standards Board has issued several new pronouncements that the Library System has reviewed for application to their accounting and reporting.

GASB Statement No. 72, *Fair Value Measurement and Application*, is effective for the periods beginning after June 15, 2015. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Library System has implemented this reporting requirement for the year ended September 30, 2016.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB 68, and Amendments to certain Provisions of GASB 67 and 68*, is effective for the periods beginning after June 15, 2015. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Library System has implemented this reporting requirement for the year ended September 30, 2016.

**JACKSON-GEORGE REGIONAL LIBRARY SYSTEM**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2016

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, is effective for the periods beginning after June 15, 2015. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The Library System has implemented this reporting requirement for the year ended September 30, 2016.

**NOTE 2. DEPOSITS**

State law requires that all deposits in excess of Federal Deposit Insurance Corporation (FDIC) limits be 105% collateralized by U.S. Government obligations or by state municipal obligations that have a fair value of not less than the principal amount of the deposits. The collateral for public entities’ deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State legislature and is governed by Section 27-1-5-5 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 FDIC.

Deposits at September 30, 2016, are as follows:

	Governmental Funds	Government- Wide Statement of Net Position
Cash on hand	\$ 413	413
Bank deposits	<u>1,088,025</u>	<u>1,088,025</u>
<b>Total</b>	<u><u>\$ 1,088,438</u></u>	<u><u>1,088,438</u></u>

# JACKSON-GEORGE REGIONAL LIBRARY SYSTEM

## NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2016

### NOTE 2. DEPOSITS (continued)

At year-end, the carrying amount of the Library System's deposits was \$1,088,025, and the respective bank balances totaled \$1,343,478. The bank balance is categorized as follows:

Amount collateralized with securities held in the State of Mississippi collateral pool on behalf of the Library System	\$ 1,093,478
Amounts held at various financial institutions covered under Federal Depository Insurance	<u>250,000</u>
	<u>\$ 1,343,478</u>

### NOTE 3. CONCENTRATIONS OF CREDIT RISK

#### A. Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of the failure of a financial institution, the Library System will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Library System does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the Library System. 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 Library System.

### NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Library materials	\$ 6,948,169	466,899	-	7,415,068
Furniture and equipment	402,825	-	-	402,825
Computer equipment	<u>249,687</u>	<u>98,279</u>	<u>(38,723)</u>	<u>309,243</u>
Total capital assets	<u>7,600,681</u>	<u>565,178</u>	<u>(38,723)</u>	<u>8,127,136</u>
Less accumulated depreciation for:				
Library materials	5,726,580	380,879	-	6,107,459
Furniture and equipment	375,804	6,817	-	382,621
Computer equipment	<u>135,245</u>	<u>38,744</u>	<u>(37,969)</u>	<u>136,020</u>
Total accumulated depreciation	<u>6,237,629</u>	<u>426,440</u>	<u>(37,969)</u>	<u>6,626,100</u>
Total capital assets, net	<u>\$ 1,363,052</u>	<u>138,738</u>	<u>(754)</u>	<u>1,501,036</u>

**JACKSON-GEORGE REGIONAL LIBRARY SYSTEM**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2016

**NOTE 4. CAPITAL ASSETS (continued)**

Depreciation expense was charged to programs for the year ended September 30, 2016, as follows:

**Governmental activities:**

General government	\$ 426,440
Total current year depreciation expense	<u>\$ 426,440</u>

**NOTE 5. ACCOUNTS PAYABLE**

Payables are composed of amounts due to vendors within 60 days of year end and accrued salaries and benefits.

**NOTE 6. LONG-TERM LIABILITIES**

Long-term liability activity for the year ended September 30, 2016, is shown as follows:

Long-Term Obligations	Beginning balance	Additions	Reductions	Ending balance	Amount due within one year
<b>Governmental Activities:</b>					
Compensated Absences	\$ 150,802	4,587	-	155,389	77,695
Net Pension Liability	5,101,149	614,850	-	5,715,999	-
Total government activities	<u>\$ 5,251,951</u>	<u>619,437</u>	<u>-</u>	<u>5,871,388</u>	<u>77,695</u>

**NOTE 7. INTERFUND TRANSFERS**

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

At September 30, 2016, transfers to/from other funds consist of the following:

Transfer from General Fund to Grants Management Fund for expenditures paid on behalf of the Grants Management Fund	\$ 21,636
Total Transfers to/from other funds	<u>\$ 21,636</u>

**JACKSON-GEORGE REGIONAL LIBRARY SYSTEM**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2016

**NOTE 8. PENSION PLAN**

**A. Defined Benefit Pension Plan**

*Plan Description*

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

*Benefits Provided*

Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

**JACKSON-GEORGE REGIONAL LIBRARY SYSTEM**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2016

**NOTE 8. PENSION PLAN (continued)**

*Contributions*

PERS members are required to contribute 9.00% of their annual covered salary and the Jackson-George Regional Library System is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2016 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature.

The Jackson-George Regional Library System's contribution to PERS for the year ended September 30, 2016, 2015, and 2014 was \$323,293, \$323,543, and \$323,843 respectively, which equal to the required contributions for each year.

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

At September 30, 2016, the Library System reported a liability of \$5,715,999 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Library System's proportion of the net pension liability was based on a projection of the Library System's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Library System's proportion was 0.032 percent, which was a decrease of 0.001 percent from its proportion measured as of June 30, 2015.

For the year ended September 30, 2016, the Library System recognized pension expense of \$622,208. At September 30, 2016, the Library System 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 experiences	\$ 159,435	-
Net difference between projected and actual earnings on pension plan investments	387,231	-
Changes of assumptions	269,464	15,189
Changes in proportion and differences between Library System contributions and proportionate share of contributions	-	164,452
Library system contributions subsequent to the measurement date	78,992	-
<b>Total</b>	<u>\$ 895,122</u>	<u>179,641</u>

**JACKSON-GEORGE REGIONAL LIBRARY SYSTEM**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2016

**NOTE 8. PENSION PLAN (continued)**

\$78,992 reported as deferred outflows of resources related to pensions resulting from Library System contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30,

2017	\$ 200,463
2018	142,078
2019	181,027
2020	112,921
2021	-
Thereafter	-
<b>Total</b>	<b>\$ <u>636,489</u></b>

*Actuarial assumptions*

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75-19.00%, average, including inflation
Investment rate of return	7.75%, net of pension plan investments expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2016 with males rates set forward one year.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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



**JACKSON-GEORGE REGIONAL LIBRARY SYSTEM**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2016

**NOTE 8. PENSION PLAN (continued)**

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target Allocation	Long-term expected real rate of return
U.S. Broad	34.00 %	5.20
International equity	19.00	5.00
Emerging markets equity	8.00	5.45
Fixed income	20.00	0.25
Real assets	10.00	4.00
Private equity	8.00	6.15
Cash	1.00	(0.50)
<b>Total</b>	<b>100.00 %</b>	

***Discount Rate***

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the Library System's proportionate share of the net pension liability to changes in the discount rate***

The following presents the Library System's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Library System's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Library System's proportionate share of the net pension liability	\$ 7,329,192	5,715,999	4,377,572

***Pension plan fiduciary net position***

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

# JACKSON-GEORGE REGIONAL LIBRARY SYSTEM

## NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2016

### NOTE 9. DEFERRED COMPENSATION PLAN

Employees of the Library System are eligible to participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code (IRC) Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

Under the deferred compensation plan, which is available to all employees of the Library System, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portions until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency. The deferred compensation plan is administered by the Board of Trustees of the Public Employees Retirement System of Mississippi. The plan's assets are held in trust by the Public Employees Retirement System of Mississippi for the exclusive benefit of the participants and beneficiaries of the plan and are not subject to the general creditors of the Library System. As a result, the plan's assets are not reflected in an agency fund of the Library.

### NOTE 10. COMMITMENTS AND CONTINGENCIES

#### A. Litigation

The Library System is party to legal proceedings that occur in the normal course of operations. Estimates of ultimate outcome or liability, if any, is not possible at the present time. However, the Library System's legal counsel believes that ultimate liability resulting from lawsuits will not have a material adverse effect on the financial condition of the Library System.

# JACKSON-GEORGE REGIONAL LIBRARY SYSTEM

## NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2016

### NOTE 11. FUNDING

The Library System receives funding from the Mississippi Library Commission. Federal funds are provided through a grant to the Mississippi Library Commission from the Institute of Museums and Library Services (CFDA No. 45.310), under the Library Services and Technology Act (LSTA). State funds are provided through the Mississippi State Legislature in the following bills: Senate Bill 3158-2001, Senate Bill 3315-2000, and House Bill 1672-1999.

Funds received from the Mississippi Library Commission for the year ended September 30, 2016 on the cash basis are as follows:

Grant #	Source	Program	Amount
SH16-360-18-0	State	Health insurance	\$ 193,308
SH17-360-18-0	State	Health insurance	42,720
Total health insurance grant			<u>236,028</u>
SP16-362-18-0	State	Personnel incentive	178,637
SP17-362-18-0	State	Personnel incentive	52,976
Total personnel incentive grant			<u>231,613</u>
SL16-361-18-0	State	Life insurance	2,561
SL17-361-18-0	State	Life insurance	542
Total life insurance grant			<u>3,103</u>
		Total State Funding	<u>\$ 470,744</u>

Grant #	Source	Program	Amount
FAC16-240-18-0	Federal	Consulting Assistance	\$ 3,481
FCA17-244-18-0	Federal	Libraries as Community Anchors	5,761
FFD16-241-18-0	Federal	Focused Development	2,023
FFT16-242-18-0	Federal	Focused Technology	1,018
FIT14-000-18-0	Federal	ILL Transport Year 3	12,005
FSR16-247-18-0	Federal	Services/Resources	6,885
FAC16-240-18-1	Federal	Consulting Assistance	2,142
FSR16-247-18-1	Federal	Services/Resources	<u>10,828</u>
		Total Federal Funding	<u>\$ 44,143</u>

The Jackson-George Regional Library System also receives federal funding from the Federal Communications Commission, Administered through the Universal Service Administrative Company (E-Rate) under CFDA: 32.001. Funding received for the year ended September 30, 2016 was \$133,046.

**JACKSON-GEORGE REGIONAL LIBRARY SYSTEM**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2016

**NOTE 12. CONCENTRATION OF REVENUES**

The Library is dependent on Jackson and George Counties and component cities and the Mississippi Library Commission for the majority of the funding necessary for its operations. Significant changes in the level of funding from these sources could have a favorable or unfavorable impact on the operating results of the Library.

**NOTE 13. PRIOR PERIOD ADJUSTMENT**

A prior period adjustment of \$215,208 was made to correct September 30, 2015 net position related to the implementation of GASB 68 and 71 and grant related revenues.

Net position, September 30, 2015 as originally presented	\$ (1,841,934)
Net pension liability	(259,559)
Understatement of revenue	<u>44,351</u>
Total prior period adjustments	<u>(215,208)</u>
Net position as restated, September 30, 2015	<u>\$ (2,057,142)</u>

**NOTE 14. SUBSEQUENT EVENTS**

Events that occur after the statement of net position date but before the financial statements were 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 that provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management has evaluated subsequent events through January 23, 2017, the date that the financial statements were made available for issue and has determined that there are no additional adjustments and/or disclosures required.

## REQUIRED SUPPLEMENTARY INFORMATION

**Jackson County, Mississippi**  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
<b>Revenues</b>				
Property taxes	\$ 50,458,388	\$ 51,391,163	\$ 51,391,163	\$ -
Licenses, commissions and other revenue	1,915,300	2,198,347	2,198,347	-
Fines and forfeitures	1,372,500	1,380,804	1,380,804	-
Intergovernmental revenues	3,725,696	5,237,503	5,237,503	-
Charges for services	780,000	805,108	805,108	-
Interest income	189,800	446,484	446,484	-
Miscellaneous revenues	971,076	1,693,828	1,693,828	-
Total Revenues	<u>59,412,760</u>	<u>63,153,237</u>	<u>63,153,237</u>	<u>-</u>
<b>Expenditures by Major Budgetary Function</b>				
General government	29,672,450	32,075,677	32,075,677	-
Public safety	20,085,364	17,014,043	17,014,043	-
Public works	3,802,895	2,962,866	2,962,866	-
Health and welfare	2,867,483	2,596,100	2,596,100	-
Culture and recreation	3,895,984	3,790,348	3,790,348	-
Education	350,000	32,595	32,595	-
Conservation of natural resources	349,168	293,689	293,689	-
Economic development and assistance	1,967,768	1,833,764	1,833,764	-
Debt service:				
Principal		1,263,912	1,263,912	-
Interest		988,057	988,057	-
Total Expenditures	<u>62,991,112</u>	<u>62,851,051</u>	<u>62,851,051</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>(3,578,352)</u>	<u>302,186</u>	<u>302,186</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>				
Other financing sources		800,762	800,762	-
Other financing uses	<u>(981,200)</u>	<u>(1,509,416)</u>	<u>(1,509,416)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(981,200)</u>	<u>(708,654)</u>	<u>(708,654)</u>	<u>-</u>
Net Change in Fund Balance	<u>(4,559,552)</u>	<u>(406,468)</u>	<u>(406,468)</u>	<u>-</u>
Fund Balances - Beginning	<u>33,454,676</u>	<u>33,861,144</u>	<u>33,861,144</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 28,895,124</u>	<u>\$ 33,454,676</u>	<u>\$ 33,454,676</u>	<u>\$ -</u>

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

**Jackson County, Mississippi**  
Budgetary Comparison Schedule -  
Budget and Actual (Non-GAAP Basis)  
Road Fund  
For the Year Ended September 30, 2016

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
<b>Revenues</b>				
Property taxes	\$ 19,487,706	\$ 15,360,240	\$ 15,360,240	\$ -
Road and bridge privilege taxes		1,932,473	1,932,473	-
Intergovernmental revenues		5,250,166	5,250,166	-
Interest income		58,193	58,193	-
Miscellaneous revenues	28,000	156,626	156,626	-
Total Revenues	<u>19,515,706</u>	<u>22,757,698</u>	<u>22,757,698</u>	<u>-</u>
<b>Expenditures by Major Budgetary Function</b>				
Public works	20,736,135	21,945,486	21,945,486	-
Debt service:				
Principal	1,706,210			-
Interest	109,444			-
Total Expenditures	<u>22,551,789</u>	<u>21,945,486</u>	<u>21,945,486</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>(3,036,083)</u>	<u>812,212</u>	<u>812,212</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>				
Other financing sources	2,162,000	1,507,346	1,507,346	-
Total Other Financing Sources (Uses)	<u>2,162,000</u>	<u>1,507,346</u>	<u>1,507,346</u>	<u>-</u>
Net Change in Fund Balance	<u>(874,083)</u>	<u>2,319,558</u>	<u>2,319,558</u>	<u>-</u>
Fund Balances - Beginning	<u>8,472,473</u>	<u>8,472,473</u>	<u>8,472,473</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 7,598,390</u>	<u>\$ 10,792,031</u>	<u>\$ 10,792,031</u>	<u>\$ -</u>

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

**Jackson County, Mississippi**  
Schedule of Funding Progress-Other Postemployment Benefits  
September 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (b-a)	Percent Funded (a/b)	Annual Covered Payroll (ACR) (c)	Unfunded AAL as a Percentage OF ACR (b-a)/c)
1-Oct-15	-	\$ 2,114,931	\$ 2,114,931	0.00%	\$ 25,016,892	8.50%
1-Oct-15	-	1,857,971	1,857,971	0.00%	24,526,365	7.60%
1-Oct-13	-	2,506,124	2,506,124	0.00%	24,326,330	10.30%
1-Oct-13	-	2,210,652	2,210,652	0.00%	23,849,343	9.30%



**Jackson County, Mississippi**

## Schedule of the County's Proportionate Share of the Net Pension Liability

## PERS

## Last 10 Fiscal Years\*

	2016	2015	2014
County's proportion of the net pension liability (asset) \$	84,604,109	72,939,942	57,499,113
County's proportionate share of the net pension liability (asset)	0.473641%	0.471858%	0.473705%
County's covered - employee payroll	31,667,911	29,668,463	27,775,302
County's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	267.16%	245.85%	207.02%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.70%	67.21%

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 fiscal year presented.

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

**Jackson County, Mississippi**  
Schedule of the County's Contributions  
PERS  
Last 10 Fiscal Years\*

	2016	2015	2014
Contractually required contribution	\$ 4,987,616	4,672,783	4,374,610
Contributions in relation to the contractually required contribution	4,987,616	4,672,783	4,374,610
Contribution deficiency (excess)	\$ -	-	-
County's covered - employee payroll	31,667,403	29,668,463	27,775,302
Contributions as a percentage of covered - employee payroll	15.75%	15.75%	15.75%

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

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

## **Jackson County, Mississippi**

Notes to the Required Supplementary Information  
For the year ended September 30, 2016

### Budgetary Comparison Schedules

#### **A. Budgetary Information.**

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the County, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The County's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

#### **B. Basis of Presentation.**

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

#### **C. Budget/GAAP Reconciliation.**

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the net change in fund balance for the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

## Jackson County, Mississippi

### Notes to the Required Supplementary Information For the Year Ended September 30, 2016

	<u>Governmental Fund Types</u>	
	<u>General Fund</u>	<u>Road Fund</u>
Budget (Cash Basis)	\$ (406,468)	2,319,558
Increase (Decrease)		
Net adjustments for revenue accruals	102,976	(1,357)
Net adjustments for expenditure accruals	<u>6,087,800</u>	<u>410,225</u>
GAAP Basis	<u>\$ 5,784,308</u>	<u>2,728,426</u>

#### Pension Schedules

##### A. Change in benefit provisions.

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.

##### B. Changes of assumptions

In 2015 and later, 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. In 2015, the expectation of disabled mortality was changed to the RP-2015 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 and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

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

COMPONENT UNIT  
REQUIRED SUPPLEMENTARY INFORMATION

Singing River Mental Health / Mental Retardation Services

**SINGING RIVER MENTAL HEALTH / MENTAL RETARDATION SERVICES**  
**SCHEDULE OF AGENCY'S PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY**  
**For the Year Ended June 30, 2016**

**PERS**

**Last 10 Fiscal Years\***

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Agency's proportion of the net pension liability (asset)	\$7,991,528	\$8,927,011	\$10,570,668
Agency's proportionate share of the net pension liability (asset)	0.06584%	0.05775%	0.05918%
Agency's covered- employee payroll	4,023,060	3,607,867	3,798,451
Agency's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	198.64%	247.43%	278.29%
Plan fiduciary net position as a percentage of the total pension liability	67.21%	61.70%	57.47%

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 presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/2015, and, until a full 10-year trend is compiled, the Agency has only presented information for the years in which information is available.

**SINGING RIVER MENTAL HEALTH / MENTAL RETARDATION SERVICES**  
**SCHEDULE OF AGENCY'S CONTRIBUTIONS**  
**For the Year Ended June 30, 2016**

**PERS**

**Last 10 Fiscal Years**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 633,632	\$ 568,239	\$ 598,256
Contributions in relation to the contractually required contribution	633,632	568,239	598,256
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
Agency's covered - employee payroll	\$ 4,023,060	\$ 3,607,867	\$ 3,798,451
Contributions as a percentage of covered - employee payroll	15.75%	15.75%	15.75%

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

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

However, GASB 68 was implemented in FYE 6/30/2015, and, until a full 10-year trend is compiled.

The Agency has only presented information for the years in which information is available.

COMPONENT UNIT  
REQUIRED SUPPLEMENTARY INFORMATION

West Jackson County Utility District



**West Jackson County Utility District**  
**(A Component Unit of Jackson County, Mississippi)**  
Schedule of the District's Proportionate Share of the Net Pension Liability  
PERS  
Last 10 Fiscal Years\*

	<u>2014</u>	<u>2015</u>	<u>2016</u>
District's proportion of the net pension liability	\$ 2,098,864	\$ 2,749,674	\$ 3,113,046
District's proportionate share of the net pension liability	0.017291%	0.017788%	0.017428%
District's covered – employee payroll	1,008,876	1,050,351	1,049,607
District's proportionate share of the net pension liability as a percentage of its covered – employee payroll	208.03%	261.79%	296.59%
Plan fiduciary net position as a percentage of the total pension liability	67.21%	61.70%	57.47%

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 June 30 of the year of the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

**West Jackson County Utility District**  
**(A Component Unit of Jackson County, Mississippi)**  
**Schedule of the District's Employer Contributions**  
**PERS**  
**Last 10 Fiscal Years**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 168,106	\$ 176,083	\$ 181,573
Contributions in relation to the contractually required contribution	<u>168,106</u>	<u>176,083</u>	<u>181,573</u>
Contribution deficiency (excess)	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
District's covered – employee payroll	1,067,340	1,117,987	1,152,844
Contributions as a percentage of covered – employee payroll	15.75%	15.75%	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

**West Jackson County Utility District**  
**(A Component Unit of Jackson County, Mississippi)**  
Notes to the Required Supplementary Information  
For the Year Ended September 30, 2016

**Pension Schedules**

***Changes of assumptions:***

2015:

In 2015 and later, 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. In 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. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, 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%

***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.

***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 (2016 Employer contributions are developed from 2014 valuation). 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	29.2 years
Asset valuation method	5-year smoothed market
Price inflation	3.50 percent
Salary increase	4.25 percent to 19.50 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation

COMPONENT UNIT  
REQUIRED SUPPLEMENTARY INFORMATION  
Jackson County Emergency Communications District

**JACKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE**  
**NET PENSION LIABILITY\***  
Public Employees Retirement System of Mississippi  
Last 10 Fiscal Years (Only 3 Years Shown)\*\*

	<u><b>2016</b></u>	<u><b>2015</b></u>	<u><b>2014</b></u>
District's proportion of the net pension liability (asset)	0.0020 %	0.0019 %	0.0019 %
District's proportionate share of the net pension liability (asset)	\$ 357,250	293,703	230,625
District's covered-employee payroll	\$ 131,687	124,172	117,067
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	271.29 %	236.53 %	197.00 %
Plan fiduciary net position as a percentage of the total pension liability	57.47 %	61.70 %	67.21 %

\*The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the fiscal year presented.

\*\*This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

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

**JACKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS\***  
Public Employees Retirement System of Mississippi  
Last 10 Fiscal Years (Only 3 Years Shown)\*\*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 20,741	19,557	18,438
Contributions in relation to the contractually required contribution	<u>(20,741)</u>	<u>(19,557)</u>	<u>(18,438)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 131,687	124,172	117,067
Contributions as a percentage of covered-employee payroll	15.75 %	15.75 %	15.75 %

\*The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the fiscal year presented.

\*\*This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

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

**JACKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
For the Year Ended September 30, 2016

**NOTE 1. PENSION SCHEDULES**

**A. Changes of Benefit Terms**

None.

**B. Changes of Assumptions**

None.

COMPONENT UNIT  
REQUIRED SUPPLEMENTARY INFORMATION

Jackson County Port Authority



**JACKSON COUNTY PORT AUTHORITY**  
**BUDGETARY COMPARISON SCHEDULE – GROSS OPERATING RECEIPTS FUND**  
For the Year Ended September 30, 2016

	<u>Budgeted amounts</u>		<u>Actual</u>	<u>Favorable</u>
	<u>Original</u>	<u>Final</u>	<u>amounts</u> <u>Budgetary</u> <u>Basis</u>	<u>(Unfavorable)</u> <u>Variance</u>
<b>Resources (inflows):</b>				
Terminal revenues	\$ 2,571,500	2,810,000	1,943,589	(866,411)
Rental income	2,008,089	1,959,790	1,892,910	(66,880)
Other revenue	1,633,423	1,861,649	2,472,440	610,791
Investment-unrestricted	55,000	55,000	17,617	(37,383)
Escrowed for future use	<u>5,602,847</u>	<u>5,602,847</u>	<u>-</u>	<u>(5,602,847)</u>
Amounts available for appropriations	<u>11,870,859</u>	<u>12,289,286</u>	<u>6,326,556</u>	<u>(5,962,730)</u>
<b>Charges to appropriations (outflows):</b>				
Port Operations:				
Terminal operations	2,428,570	2,506,570	1,728,748	777,822
Administrative and office	3,756,219	3,766,920	3,490,531	276,389
Capital expenditures	118,000	78,000	774,393	(696,393)
Major repairs and maintenance	1,835,000	1,205,000	-	1,205,000
Major facility improvements escrow	800,000	800,000	-	800,000
Escrowed for future use	<u>4,704,132</u>	<u>5,703,858</u>	<u>-</u>	<u>5,703,858</u>
Total charges to appropriations	<u>13,641,921</u>	<u>14,060,348</u>	<u>5,993,672</u>	<u>8,066,676</u>
Excess (deficiency) of revenues over expenditures	(1,771,062)	(1,771,062)	332,884	2,103,946
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	202,978	(202,978)
Funds available for use	<u>1,771,062</u>	<u>1,771,062</u>	<u>-</u>	<u>1,771,062</u>
Total other financing sources (uses)	<u>1,771,062</u>	<u>1,771,062</u>	<u>202,978</u>	<u>1,568,084</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>-</u>	535,862	<u>3,672,030</u>
<b>Fund balance - beginning</b>			<u>5,896,322</u>	
<b>Fund balance - end of year</b>			<u>\$ 6,432,184</u>	
<b>Differences between budgetary and GAAP fund balance:</b>				
<b>Fund Balance, end of year (Budgetary Basis)</b>			\$ 6,432,184	
Accruals for expenses incurred but not paid			(980,374)	
Accruals for revenues recognized but not yet received			<u>844,188</u>	
<b>Fund Balance, end of year (GAAP)</b>			<u>\$ 6,295,998</u>	

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

**JACKSON COUNTY PORT AUTHORITY**  
**SCHEDULE OF PORT AUTHORITY'S PROPORTIONATE SHARE OF THE**  
**NET PENSION LIABILITY\***  
Public Employees Retirement System of Mississippi  
Last 10 Fiscal Years (Only 3 Years Shown)\*\*

	<u><b>2016</b></u>	<u><b>2015</b></u>	<u><b>2014</b></u>
Port Authority's proportion of the net pension liability (asset)	0.05 %	0.04 %	0.04 %
Port Authority's proportionate share of the net pension liability (asset)	\$ 8,931,249	6,183,211	4,855,268
Port Authority's covered-employee payroll	\$ 2,926,051	2,772,041	2,603,053
Port Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	305.23 %	223.06 %	186.52 %
Plan fiduciary net position as a percentage of the total pension liability	57.47 %	61.70 %	67.21 %

\*The amounts presented for each fiscal year were determined as of the measurement date of June 30 of 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, information is presented for those years for which information is available.

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

**JACKSON COUNTY PORT AUTHORITY**  
**SCHEDULE OF PORT AUTHORITY CONTRIBUTIONS\***  
Public Employees Retirement System of Mississippi  
Last 10 Fiscal Years (Only 3 Years Shown)\*\*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 460,853	436,597	409,981
Contributions in relation to the contractually required contribution	<u>(460,853)</u>	<u>(436,597)</u>	<u>(409,981)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
Port Authority's covered-employee payroll	\$ 2,926,051	2,772,041	2,603,053
Contributions as a percentage of covered-employee payroll	15.75 %	15.75 %	15.75 %

\*The amounts presented for each fiscal year were determined as of the measurement date of June 30 of 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, information is presented for those years for which information is available.

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

**JACKSON COUNTY PORT AUTHORITY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
For the Year Ended September 30, 2016

**NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING**

**A. Budgets and Budgetary Accounting**

Statutory requirements dictate how and when the Port Authority's budget is to be prepared. Generally, during September, a budget is prepared by the Port Authority's management and submitted to the Board of Commissioners for approval. The completed budget for the fiscal year includes for all funds every source of revenue, each general item of expenditure, and unencumbered cash and investment balances. On a periodic basis, as required by changing conditions, the budgeted amounts are amended. Annual legally adopted operating budgets are not adopted for special revenue funds.

The Port Authority's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year-end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

**B. Basis of Presentation**

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP, Cash Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP, Cash Basis) and variance between the final budget and the actual amounts. The schedule is presented for the Gross Operating Receipts Fund of the Port Authority. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP, Cash Basis) is a part of required supplemental information.

**C. Excess of Expenditures over Appropriations (Budget)**

There were no expenditures in excess of appropriations (budget) for the fiscal year ended September 30, 2016.

**NOTE 2. PENSION SCHEDULES**

**A. Changes of Benefit Terms**

None.

**B. Changes of Assumptions**

None.

COMPONENT UNIT  
REQUIRED SUPPLEMENTARY INFORMATION

Jackson-George Regional Library System

**JACKSON-GEORGE REGIONAL LIBRARY SYSTEM**  
**BUDGETARY COMPARISON SCHEDULE - ALL FUNDS**  
For the Year Ended September 30, 2016

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Over / (Under)</u>
Revenues:				
Jackson County	\$ 2,900,000	2,800,000	2,601,431	(198,569)
George County	127,000	127,000	141,616	14,616
Gautier	112,000	112,000	105,061	(6,939)
Moss Point	100,500	100,500	131,000	30,500
Ocean Springs	135,000	135,000	135,000	-
Pascagoula	250,000	250,000	261,998	11,998
Grant revenue	713,677	730,692	664,065	(66,627)
Fines	46,000	46,000	74,045	28,045
Copy machine fees	40,000	40,000	60,751	20,751
Lost and paid books	4,100	4,100	6,459	2,359
Miscellaneous income	19,930	26,916	16,697	(10,219)
Donations	5,600	9,590	5,957	(3,633)
Interest income	4,000	4,000	7,832	3,832
Amounts available for appropriations	<u>\$ 4,457,807</u>	<u>4,385,798</u>	<u>4,211,912</u>	<u>(173,886)</u>

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

**JACKSON-GEORGE REGIONAL LIBRARY SYSTEM**  
**BUDGETARY COMPARISON SCHEDULE - ALL FUNDS**  
For the Year Ended September 30, 2016

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget Over / (Under)
<b>Expenditures:</b>				
Administrative	\$ 1,455,722	1,455,722	1,035,222	(420,500)
Delivery	54,632	61,618	53,443	(8,175)
Technology	385,458	385,458	322,626	(62,832)
Technical services	269,935	269,935	-	(269,935)
Youth services	49,666	51,166	45,034	(6,132)
Training	61,468	61,468	51,058	(10,410)
Law Library	197,521	197,521	84,397	(113,124)
Migration	42,000	42,000	56,941	14,941
East Central	303,374	303,680	227,560	(76,120)
Gautier	278,102	281,423	225,122	(56,301)
Moss Point	354,201	354,501	273,710	(80,791)
Ocean Springs	443,693	443,693	365,813	(77,880)
Pascagoula	688,036	688,200	487,084	(201,116)
St. Martin	310,477	314,537	253,729	(60,808)
Vancleave	310,283	311,971	249,401	(62,570)
George County	257,107	257,878	191,405	(66,473)
Capital Expenditures	182,300	194,863	565,178	370,315
LSTA-Postage Resource Sharing	12,005	12,005	12,005	-
LSTA Admin Consultant Paper	-	2,170	2,142	-
LSTA GA Laptops 2015-2016	6,885	6,885	6,885	-
LSTA Early Learning Stations	2,500	4,500	1,018	-
LSTA VC GED Resources FY16	2,023	2,023	-	-
LSTA Grant - EMagazines FY16	12,998	10,828	10,828	-
LSTA Advancing Technology Services for Youth FY17	-	6,451	5,761	(690)
Total expenditures	<u>5,680,386</u>	<u>5,720,496</u>	<u>4,526,362</u>	<u>(1,188,601)</u>
<b>Other Financing Sources (Uses)</b>				
Appropriated fund balance	<u>1,194,521</u>	<u>1,302,641</u>	-	-
Total other financing sources (uses)	<u>1,194,521</u>	<u>1,302,641</u>	-	-
<b>Net change in fund balance</b>	<u>\$ (28,058)</u>	<u>(32,057)</u>	(314,450)	<u>1,014,715</u>
<b>Fund balance - beginning of year</b>			<u>1,341,731</u>	
<b>Fund balance - end of year</b>			<u>\$ 1,027,281</u>	
<b>Differences between budgetary and GAAP fund balance:</b>				
<b>Fund Balance, end of year (Budgetary Basis)</b>				\$ 1,027,281
Accruals for expenses incurred but not paid				(59,716)
Accruals for revenues recognized but not received				224,518
<b>Fund Balance, end of year (GAAP)</b>				<u>\$ 1,192,083</u>

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

**JACKSON-GEORGE REGIONAL LIBRARY SYSTEM**  
**SCHEDULE OF LIBRARY SYSTEM'S PROPORTIONATE SHARE OF THE**  
**NET PENSION LIABILITY\***  
Public Employees Retirement System of Mississippi  
Last 10 Fiscal Years (Only 3 Years Shown)\*\*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Library System's proportion of the net pension liability (asset)	0.032 %	0.033 %	0.034 %
Library System's proportionate share of the net pension liability (asset)	\$ 5,715,999	5,101,149	4,126,977
Library System's covered-employee payroll	\$ 2,053,104	2,054,046	2,056,150
Library System's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	278.41 %	248.35 %	200.71 %
Plan fiduciary net position as a percentage of the total pension liability	57.47 %	61.70 %	67.21 %

\*The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the fiscal year presented.

\*\*This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

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



**JACKSON-GEORGE REGIONAL LIBRARY SYSTEM**  
**SCHEDULE OF LIBRARY SYSTEM CONTRIBUTIONS\***  
Public Employees Retirement System of Mississippi  
Last 10 Fiscal Years (Only 3 Years Shown)\*\*

	2016	2015	2014
Contractually required contribution	\$ 323,293	323,543	323,843
Contributions in relation to the contractually required contribution	<u>(323,293)</u>	<u>(323,543)</u>	<u>(323,843)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
Library System's covered-employee payroll	\$ 2,053,104	2,054,046	2,056,150
Contributions as a percentage of covered-employee payroll	15.75 %	15.75 %	15.75 %

\*The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the fiscal year presented.

\*\*This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

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

**JACKSON-GEORGE REGIONAL LIBRARY SYSTEM**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
For the Year Ended September 30, 2016

**NOTE 1. BUDGETARY COMPARISON SCHEDULE**

**A. Budgetary Information**

Statutory requirements dictate how and when the Library System's budget is to be prepared. Generally, during June, a budget is prepared by the Library System's management and submitted to the Board of Trustees for approval. The completed budget for the fiscal year includes for all funds every source of revenue, each general item of expenditure, and unencumbered cash and investment balances. On a periodic basis, as required by changing conditions, the budgeted amounts are amended.

The Library's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year-end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

**B. Basis of Presentation**

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP, Cash Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP, Cash Basis) and variance between the final budget and the actual amounts. The schedule is presented for the General Fund and Grant Management Fund collectively of the Library System. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP, Cash Basis) is a part of required supplemental information.

**C. Excess of Expenditures over Budget**

There were no expenditures in excess of budgeted expenditures for the fiscal year ended September 30, 2016.

**NOTE 2. PENSION SCHEDULES**

**A. Changes of Benefit Terms**

None.

**B. Changes of Assumptions**

None.

## SUPPLEMENTARY INFORMATION

**Jackson County, Mississippi**  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2016

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<b>U. S. Department of Agriculture</b>			
Passed-through the Mississippi Department of Education			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 7,301
National School Lunch Program	10.555	N/A	11,743
Total Child Nutrition Cluster			19,044
Total Passed-through the Mississippi Department of Education			19,044
Passed-through the Mississippi State Treasurer's Office			
Schools and Roads - Grants to States	10.665	N/A	29,170
Total Passed-through the Mississippi State Treasurer's Office			29,170
<b>Total U.S. Department of Agriculture</b>			<b>48,214</b>
<b>U. S. Department of Housing and Urban Development</b>			
Passed-through the Mississippi Development Authority			
Community Development Block Grants/State's Program (Note C)*	14.228	R-103-030-05-KED	272,462
Community Development Block Grants/State's Program (Note C)*	14.228	R-103-030-08-KED	830,530
Community Development Block Grants/State's Program*	14.228	R-103-030-09-KED	154,135
Community Development Block Grants/State's Program*	14.228	R-103-030-10-KED	2,106
Economic Development Initiative	14.251	B-09BSP-MS-0275	39,529
Total Passed-through the Mississippi Development Authority			1,298,762
<b>Total U.S. Department of Housing and Urban Development</b>			<b>1,298,762</b>
<b>U. S. Department of Interior</b>			
Office of Natural Resources			
Direct Program:			
GoMESA*	15.435	N/A	104,325
Passed-through the Mississippi Department of Marine Resources			
GoMESA*	15.435	N/A	150,000
Total Passed-through the Mississippi Department of Marine Resources			150,000
Fish and Wildlife Service / Sport Fish Restoration Program			
Direct Program:			
National Wildlife Refuge Fund	15.659	N/A	38,684
Passed-through the Mississippi Department of Marine Resources			
Coastal Impact Assistance Program (Note B)	15.668	MS-30.703	223,082
Coastal Impact Assistance Program (Note B)	15.668	MS-30.705	490,310
Coastal Impact Assistance Program (Note B)	15.668	MS-30.706	689,473
Coastal Impact Assistance Program (Note B)	15.668	MS-30.712	907,454
Coastal Impact Assistance Program (Note B)	15.668	MS-30.719	143,524
Coastal Impact Assistance Program	15.668	MS-30.751	5,000
Coastal Impact Assistance Program (Note B)	15.668	MS-30.771	1,109,578
Total Passed-through the Mississippi Department of Marine Resources			3,568,421
<b>Total U.S. Department of Interior</b>			<b>3,861,430</b>
<b>U. S. Department of Justice</b>			
Passed through the MS Department of Public Safety			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	14DC1301	22,653
Edward Byrne Memorial Justice Assistance Grant Program	16.738	15DC1301	52,991
Total Passed-through the MS Department of Public Safety			75,644
<b>Total U.S. Department of Justice</b>			<b>75,644</b>
<b>U. S. Department of Transportation</b>			
Federal Aviation Administration			
Direct Program:			
Airport Improvement Program	20.106	3-28-0101-031-2015	370,542
Airport Improvement Program	20.106	3-28-0101-032-2016	98,619
			469,161
Federal Highway Administration			
Passed through the MS Department of Transportation			
Highway Planning and Construction*	20.205	MS134-030(1)B	1,275,194
Highway Planning and Construction*	20.205	STP-9068-00(001)	431,227
Highway Planning and Construction*	20.205	STP-9065(2)B	47,598
Highway Planning and Construction*	20.205	STP-9186-00(003)	23,266
Highway Planning and Construction*	20.205	STP-BR-9191(1)B	26,925
Highway Planning and Construction*	20.205	BR-0116(14)B	17,872
Highway Planning and Construction*	20.205	STP-9064-00(011)	5,743
Highway Planning and Construction*	20.205	STP-1127-00(004)	1,706,211
Highway Planning and Construction*	20.205	STP-030-00(036)	24,172
Highway Planning and Construction*	20.205	STP-030-00(037)	36,162
Total Passed-through the MS Department of Transportation			3,594,370

**Jackson County, Mississippi**  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2016

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>
Passed-through the Mississippi Department of Wildlife, Fisheries & Parks Recreational Trails Program	20.219	28-RTP-257	<u>59,852</u>
Total Passed-through the Mississippi Department of Wildlife, Fisheries & Parks			<u>59,852</u>
National Highway Traffic Safety Administration Passed-through the Mississippi Department of Public Safety/ Division of Public Safety Planning State and Community Highway Safe	20.600	16-OP-130-1	4,110
National Priority Safety Programs	20.616	M5X-16-MD-13-01	<u>1,902</u>
Total Passed-through the MS Department of Public Safety/ Division of Public Safety Planning			<u>6,012</u>
Passed-through the Mississippi Emergency Management Agency Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	16HMEP/LEPC	<u>14,246</u>
Total Passed-through the Mississippi Emergency Management Agency			<u>14,246</u>
<b>Total U.S. Department of Transportation</b>			<u>4,143,641</u>
<b>U. S. Environmental Protection Agency</b> Congressionally Mandated Projects	66.202	XP984459-98-0	<u>58,683</u>
<b>Total U.S. Environmental Protection Agency</b>			<u>58,683</u>
<b>U. S. Department of Homeland Security</b> Passed through the MS Emergency Management Agency Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4081-DR-MS	1,398,857
Hazard Mitigation Grant	97.039	1604-0204	82,688
Emergency Management Performance Grant	97.042	14EMPG-SP	1,706
Emergency Management Performance Grant	97.042	15EMPG	<u>90,424</u>
Total Passed-through the MS Emergency Management Agency			<u>1,573,675</u>
Passed through the MS Department of Public Safety Homeland Security Grant Program	97.067	14LE030	50,086
Homeland Security Grant Program	97.067	15LE030	<u>24,945</u>
Total Passed-through the MS Department of public Safety			<u>75,031</u>
<b>Total U.S. Department of Homeland Security</b>			<u>1,648,706</u>
Total Expenditures of Federal Awards			\$ <u>11,135,080</u>

\* Denotes major federal award program.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Note A - Significant Accounting Policies**

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

**Note B - Coastal Impact Assistance Program**

Of the federal expenditures presented in the schedule, the county provided federal awards totaling \$3,533,847 to subrecipients during the year ended September 30, 2016.

**Note C - Community Development Block Grants/State's Program**

Of the federal expenditures presented in the schedule, the county provided federal awards totaling \$997,502 to subrecipients during the year ended September 30, 2016.

**Note D - The County did not elect to use the 10% de minimus interest cost rate.**

**Jackson County, Mississippi**

Component Units - Combining Statement of Net Position  
September 30, 2016

	Singing River Health/Mental Retardation Services	Singing River Health System	West Jackson County Utility District	Jackson County Emergency Communications District	Jackson County Port Authority	Jackson-George Regional Library System	Total
<b>Assets</b>							
Cash and cash equivalents	\$ 1,634,024	\$ 57,047,567	\$ 2,662,878	\$ 1,247,396	\$ 13,374,902	\$ 1,088,438	\$ 77,055,205
Investments		9,992,217					9,992,217
Restricted assets - cash		3,297,257	5,037,272		16,200,260		24,534,789
Deposits	30						30
Grants receivable	212,058						212,058
Receivables, net of allowance	485,081	33,212,382	939,892	199,540	4,568,191	224,518	39,629,604
Other receivables		1,577,792					1,577,792
Due from third-party payors		1,373,592					1,373,592
Inventories and prepaid items	174,370	6,362,159	172,325	137,386	610,671	67,833	7,524,744
Trusteed bond funds		9,942,926					9,942,926
Held by trustees for self-insurance funding		3,603,539					3,603,539
Held by trustee for pension funding		5,200,100					5,200,100
Investment in surgery centers		4,475,659					4,475,659
Land and construction in progress	10,000	18,219,538	1,001,718		13,973,032		33,204,288
Other capital assets, net of depreciation	1,964,557	155,749,488	37,966,387	2,241,035	75,304,650	1,501,036	274,727,153
Other assets		1,480,867					1,480,867
Total Assets	<u>4,480,120</u>	<u>311,535,083</u>	<u>47,780,472</u>	<u>3,825,357</u>	<u>124,031,706</u>	<u>2,881,825</u>	<u>494,534,563</u>
<b>Deferred Outflows of Resources</b>							
Deferred outflows related to pension	1,509,273	36,506,855	502,924	66,491	2,418,204	895,122	41,898,869
Deferred amount on refunding		2,330,491					2,330,491
Total Deferred Outflows of Resources	<u>1,509,273</u>	<u>38,837,346</u>	<u>502,924</u>	<u>66,491</u>	<u>2,418,204</u>	<u>895,122</u>	<u>44,229,360</u>
<b>Liabilities</b>							
Accounts payable	41,641	16,639,670	138,828	41,075	3,294,714	59,716	20,215,644
Payroll liabilities	134,066	17,523,226					17,657,292
Accrued liabilities	415,335	1,065,798	190,204				1,671,337
Accrued interest payable				1,362			1,362
Unearned revenues					10,541,876		10,541,876
Customer deposits			581,467				581,467
Long-term liabilities							
Due within one year:							
Capital debt		7,068,532	1,266,625	440,886			8,776,043
Non-capital debt	129,791	289,705		14,488	40,443	77,695	552,122
Due in more than one year:							
Capital debt		81,411,544	30,695,537	576,816	36,731,743		149,415,640
Non-capital debt		9,190,520		14,488	183,723	77,694	9,466,425
Net pension liability	10,570,669	332,998,088	3,113,046	357,250	8,931,250	5,715,999	361,686,302
Total Liabilities	<u>11,291,502</u>	<u>466,187,083</u>	<u>35,985,707</u>	<u>1,446,365</u>	<u>59,723,749</u>	<u>5,931,104</u>	<u>580,565,510</u>
<b>Deferred Inflows of Resources</b>							
Deferred inflows related to pension	28,089	7,696,374	8,272	949	23,733	179,641	7,937,058
Total Deferred Inflows of Resources	<u>28,089</u>	<u>7,696,374</u>	<u>8,272</u>	<u>949</u>	<u>23,733</u>	<u>179,641</u>	<u>7,937,058</u>
<b>Net Position</b>							
Net investment in capital assets	1,974,557	85,488,950	7,005,943	1,223,333	52,545,939	1,501,036	149,739,758
Restricted for:							
Debt service		13,240,183	2,757,353		1,355		15,998,891
Capital projects			1,698,452		(1,776,239)		(77,787)
Harbor maintenance					7,398,440		7,398,440
Unemployment fund reserve					15,000		15,000
Other purposes			581,467		4,227	21,636	607,330
Unrestricted	(7,304,755)	(222,240,161)	246,202	1,221,201	8,513,706	(3,856,470)	(223,420,277)
Total Net Position	<u>\$ (5,330,198)</u>	<u>\$ (123,511,028)</u>	<u>\$ 12,289,417</u>	<u>\$ 2,444,534</u>	<u>\$ 66,702,428</u>	<u>\$ (2,333,798)</u>	<u>\$ (49,738,645)</u>

**Jackson County, Mississippi**

Statement of Revenues, Expenses, and Changes  
in Net Position - Component Units  
September 30, 2016

	Singing River Health/Mental Retardation Services	Singing River Health System	West Jackson County Utility District	Jackson County Emergency Communications District	Jackson County Port Authority	Jackson-George Regional Library System	Total
<b>Operating Revenues</b>							
Charges for services	\$				13,794,525	141,255	13,935,780
Clients fees and work activity fees		60,899					60,899
Connection fees			421,956				421,956
County revenue		453,000					453,000
Government grants		1,598,895					1,598,895
Grants and contributions					4,539,617	969,123	5,508,740
Medicaid		4,617,208					4,617,208
Other grants		257,165					257,165
Other revenues			251,943				22,298,999
Patient services revenues		334,427,792					334,427,792
Sales to customers		9,269	8,067,261				8,076,530
Self pay and third party reimbursement		496,077					496,077
Surcharges				1,522,750			1,522,750
Total Operating Revenues	<u>7,492,513</u>	<u>356,474,848</u>	<u>8,741,160</u>	<u>1,522,750</u>	<u>18,334,142</u>	<u>1,110,378</u>	<u>393,675,791</u>
<b>Operating Expenses</b>							
Administrative and general			772,671		3,922,804		4,695,475
Bayou Casotte					5,004,557		5,004,557
Black Creek					512,106		512,106
Client fee waiver	53,999						53,999
Commodities	323,485						323,485
Contractual services	1,904,443						1,904,443
Depreciation and amortization	234,673	21,612,953	1,785,806	694,224			24,327,656
Employee benefits		33,986,011					33,986,011
General library services						4,599,707	4,599,707
Insurance				45,421			45,421
Industrial parks					235,010		235,010
Law library						84,397	84,397
Maintenance and operation		30,798,705	2,338,792	223,637	907,776		3,470,205
Other expenses							30,798,705
Pension liability adjustment due to GASB 68 and 71	899,138						899,138
Personnel costs	5,196,992						5,196,992
Port operations					10,958,071		10,958,071
Professional fees		5,772,466		33,039			5,805,505
Purchased services		44,323,124					44,323,124
Salaries and wages		130,337,406		243,208			130,580,614
Singing River Island					1,000,102		1,000,102
Supplies		70,407,701		29,892			70,437,593
Travel	116,351						116,351
Treatment and collection fees			2,242,970				2,242,970
Utilities and telephone				416,142			416,142
Youth services						45,034	45,034
Total Operating Expenses	<u>8,729,081</u>	<u>337,238,366</u>	<u>7,140,239</u>	<u>1,685,563</u>	<u>22,540,426</u>	<u>4,729,138</u>	<u>382,062,813</u>
Operating Income (Loss)	<u>(1,236,568)</u>	<u>19,236,482</u>	<u>1,600,921</u>	<u>(162,813)</u>	<u>(4,206,284)</u>	<u>(3,618,760)</u>	<u>11,612,978</u>
<b>Non-Operating Revenues (Expenses)</b>							
Ad valorem taxes			285,239				285,239
Contributed property			181,541				181,541
Distributions to minority interest		(419,178)					(419,178)
Effect of deconsolidation of surgery centers		(1,011,384)					(1,011,384)
Equity method income		420,006					420,006
Gain (loss) on disposal of assets	(42)	8,324,004	3,356			(754)	8,326,564
Interest and investment income (expense)	6,372	(4,361,285)	(1,161,686)	(47,833)	72,746	7,832	(5,483,854)
Loss on impairment		(1,957,979)					(1,957,979)
Jackson County						2,825,949	2,825,949
Miscellaneous income					37	16,697	16,734
State health grant						257,388	257,388
State life grant						3,379	3,379
State personnel grant						231,613	231,613
Transfer (to) from other governments					1,786,092		1,786,092
Total Non-Operating Revenues (Expenses)	<u>6,330</u>	<u>994,184</u>	<u>(691,550)</u>	<u>(47,833)</u>	<u>1,858,875</u>	<u>3,342,104</u>	<u>5,462,110</u>
Change in Net Position	<u>(1,230,238)</u>	<u>20,230,666</u>	<u>909,371</u>	<u>(210,646)</u>	<u>(2,347,409)</u>	<u>(276,656)</u>	<u>17,075,088</u>
Net Position - Beginning, as previously reported	(4,099,960) *	(143,741,694)	11,380,046	1,389,248	69,096,177	(1,841,934)	(67,818,117)
Prior Period Adjustment				1,265,932	(46,340)	(215,208)	1,004,384
Net Position - Beginning, as restated	<u>(4,099,960)</u>	<u>(143,741,694)</u>	<u>11,380,046</u>	<u>2,655,180</u>	<u>69,049,837</u>	<u>(2,057,142)</u>	<u>(66,813,733)</u>
Net Position - Ending	<u>\$ (5,330,198)</u>	<u>(123,511,028)</u>	<u>12,289,417</u>	<u>2,444,534</u>	<u>66,702,428</u>	<u>(2,333,798)</u>	<u>(49,738,645)</u>

\* Prior year report (2015) for this component unit was reissued after the 2015 Jackson County, MS report was issued.

COMPONENT UNIT  
SUPPLEMENTARY INFORMATION

Jackson County Port Authority



**JACKSON COUNTY PORT AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended September 30, 2016

<b>Federal Grantor/Pass-through Grantor/Program Title</b>	<b>Catalog of Federal Domestic Assistance (CFDA) Number</b>	<b>Pass-through Grantors Number</b>	<b>Federal Expenditures</b>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
<i>Passed-through Jackson County, Mississippi</i>			
Community Development Block Grants/State's Program and Non- Entitlement Grants in Hawaii	14.228	R-103-030-08-KED	\$ <u>680,352</u>
Total U.S. Department of Housing and Urban Development			<u>680,352</u>
<b><u>U.S. Department of Transportation</u></b>			
<i>Direct Program</i>			
National Infrastructure Investments	20.933*		<u>2,089,794</u>
Total U.S. Department of Transportation			<u>2,089,794</u>
<b>Total for All Federal Awards</b>			<b>\$ <u>2,770,146</u></b>

\* Major Program

**NOTES TO SCHEDULE**

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.

## OTHER INFORMATION

**Jackson County, Mississippi**

## Schedule of Surety Bonds for County Officials

For the Year Ended September 30, 2016

UNAUDITED

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>	<u>Expiration Date</u>
Jennifer Elizabeth Waltman	Board of Supervisors	Travelers	\$ 50,000.00	Indefinite
Barry Cumbest	Board of Supervisors	State Farm	\$ 100,000.00	12/31/2019
Melton Harris Jr.	Board of Supervisors	State Farm	\$ 100,000.00	12/31/2019
Kenneth Taylor	Board of Supervisors	Travelers	\$ 100,000.00	12/31/2019
Joseph T. Ross	Board of Supervisors	Travelers	\$ 100,000.00	1/4/2020
Claude Randy Bosarge	Board of Supervisors	Travelers	\$ 100,000.00	12/31/2019
William B. Fulton	County Administrator	Old Republic	\$ 100,000.00	10/11/2016
Joshua Eldridge	Finance/Chancery Clerk	Travelers	\$ 100,000.00	
Mary Angela Benigno	Assistant Finance Director	Travelers	\$ 100,000.00	Indefinite
Stephanie Denise Tagert	Tax Collector	Travelers	\$ 50,000.00	Indefinite
Mary Ann Wine	Tax Collector	Travelers	\$ 50,000.00	Indefinite
Deborah O Broome	Justice Court	Western Surety Company	\$ 10,000.00	10/9/2020
Joseph W. Nicholson	Receiving Clerk	Travelers	\$ 75,000.00	Indefinite
Joseph W. Nicholson	Assistant Receiving Clerk	Travelers	\$ 50,000.00	Indefinite
Walter M. Ezell	Sherriff	Travelers	\$ 100,000.00	12/31/2019
Nick Elmore	Tax Assessor	Travelers	\$ 100,000.00	12/31/2019
Joseph Tucker	Tax Collector	Travelers	\$ 100,000.00	1/3/2020
Randy Carney	Circuit Clerk	Travelers	\$ 100,000.00	1/4/2020
Matthew P. Lachaussee	Justice Court	Travelers	\$ 50,000.00	12/31/2019
Ennis Millender, Sr.	Justice Court	Travelers	\$ 50,000.00	1/4/2020
Jason W. Thorton	Justice Court	Travelers	\$ 50,000.00	1/4/2020
Daniel D. Guice	Justice Court	Travelers	\$ 50,000.00	12/31/2019
Tymothe M. Thompson	Constable	Travelers	\$ 50,000.00	1/4/2020
Calvin W. Hutchins	Constable	Travelers	\$ 50,000.00	12/31/2019
K. Shane Langfitt	Constable	Travelers	\$ 50,000.00	1/4/2020
Kerry B. Fountain	Constable	Travelers	\$ 50,000.00	1/4/2020
Vicki L. Broadus	Cornoer	Travelers	\$ 10,000.00	1/4/2020
Susanne Samples	Purchasing	Old Republic	\$ 75,000.00	Indefinite
Cindy Steen	Purchasing	Travelers	\$ 75,000.00	1/4/2020
Nancy M. Anglada	Inventory	Travelers	\$ 75,000.00	Indefinite
Diana Dixon	Inventory	Old Republic	\$ 50,000.00	Indefinite
Kerry Blaine Fountain	Sherriff	Western Surety Company	\$ 50,000.00	Indefinite
Meleana Overstreet	Finance	Old Republic	\$ 75,000.00	10/11/2016
Belinda Y. Lamey	Finance	Old Republic	\$ 50,000.00	10/31/2016
Mary Angela Benigno	Finance	Travelers	\$ 100,000.00	Indefinite
Samantha D. Wells	Finance	Travelers	\$ 100,000.00	12/31/2019
Joe O'Neal	Roads	Old Republic	\$ 50,000.00	10/31/2016
Jenna N. Pitts	Tax Assessor	Travelers	\$ 50,000.00	Indefinite
Mary Ann Fontenot	Tax Assessor	Travelers	\$ 50,000.00	Indefinite
Jessica K. Ferguson	ADC	Travelers	\$ 50,000.00	Indefinite
Sherri Lynette White	Justice Court	Travelers	\$ 50,000.00	Indefinite
Lizzie M. Worthy	Justice Court	Travelers	\$ 50,000.00	Indefinite
Lisa B. Fairley	Justice Court	Travelers	\$ 100,000.00	12/31/2019
Cynthia A. Wilkerson	Justice Court	Travelers	\$ 50,000.00	Indefinite
Julia A. Peterson	Justice Court	Travelers	\$ 50,000.00	Indefinite
Theresa J. Wooten	Justice Court	Travelers	\$ 50,000.00	Indefinite
Shelia Cochran-Broome	Justice Court	Travelers	\$ 50,000.00	Indefinite
Patricia A. Vaughn	Justice Court	Travelers	\$ 50,000.00	Indefinite
Marsha S. Moore	Justice Court	Travelers	\$ 50,000.00	Indefinite
Marilynn Miller-Evans	Justice Court	Travelers	\$ 50,000.00	Indefinite
Janice Sharp	Tax Collector	Old Republic	\$ 50,000.00	10/31/2016
Cyrstal G. Ables	Tax Collector	Travelers	\$ 50,000.00	Indefinite
Teresa J. White	Tax Collector	Travelers	\$ 50,000.00	Indefinite
Nancy K. Scott	Tax Collector	Travelers	\$ 50,000.00	Indefinite
Mary A. Rogers	Tax Collector	Travelers	\$ 50,000.00	Indefinite
Stephanie Chambers	Tax Collector	Western Surety Company	\$ 5,000.00	12/20/2019
Ora P. Moulds	Tax Collector	Travelers	\$ 50,000.00	Indefinite
Mary S. Johnson	Tax Collector	Travelers	\$ 50,000.00	Indefinite
Angela E. Guy	Tax Collector	Travelers	\$ 50,000.00	Indefinite
Carey L. Crosby	Tax Collector	Travelers	\$ 50,000.00	Indefinite
Lequetta M. Cooley	Tax Collector	Travelers	\$ 50,000.00	Indefinite
Deborah O. Broome	Tax Collector	Travelers	\$ 50,000.00	Indefinite
Karen T. Brewer	Tax Collector	Travelers	\$ 50,000.00	Indefinite
Jessica D. Alexander (Roche)	Tax Collector	Travelers	\$ 50,000.00	Indefinite
Sylvia J. Crawley	Tax Collector	Travelers	\$ 50,000.00	Indefinite
Bebe A. Sutherland	Tax Collector	Travelers	\$ 50,000.00	Indefinite

## SPECIAL REPORTS

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Board of Supervisors  
Jackson County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Jackson County, Mississippi, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 10, 2017. Our report includes a reference to other auditors who audited the financial statements of Singing River Health / Mental Retardation Services, Jackson County Port Authority, Singing River Health System, West Jackson County Utility District, Jackson County Emergency Communications District and Jackson-George Regional Library System, as described in our report on the Jackson County, Mississippi financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Jackson County, Mississippi'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 County, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the County'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 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 County, Mississippi'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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fortenberry & Ballard, PC

Fortenberry & Ballard PC  
August 10, 2017

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board of Supervisors  
Jackson County, Mississippi

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

We have audited Jackson County, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Jackson County, Mississippi's major federal programs for the year ended September 30, 2016. Jackson County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Jackson County's basic financial statements include the operations of the Jackson County Port Authority and, which received \$2,770,146, respectively, in federal awards which is not included in the schedule during the year ended September 30, 2016. Our audit, described below, did not include the operations of the Port Authority because this component unit engaged another auditor to perform an audit in accordance with the Uniform Guidance.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

1929 SPILLWAY ROAD, SUITE B  
BRANDON, MISSISSIPPI 39047  
TELEPHONE 601-992-5292 FAX 601-992-2033

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 on Jackson County, Mississippi's compliance.

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

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

### **Report on Internal Control Over Compliance**

Management of Jackson County, Mississippi 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 County, Mississippi'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 County, Mississippi's internal control over compliance.

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

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



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

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
August 10, 2017

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S REPORT ON CENTRAL PURCHASING SYSTEM,  
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES  
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))

Members of the Board of Supervisors  
Jackson County, Mississippi

We have examined Jackson County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2016. The Board of Supervisors of Jackson County, Mississippi, is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Jackson County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, Jackson County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2016.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination and, in our opinion, is fairly presented in relation to that examination.

1929 SPILLWAY ROAD, SUITE B  
BRANDON, MISSISSIPPI 39047  
TELEPHONE 601-992-5292 FAX 601-992-2033

This report is intended for use in evaluating Jackson County, Mississippi's compliance with the aforementioned requirements, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC  
August 10, 2017

Certified Public Accountants

**Jackson County, Mississippi**

Schedule of Purchases From Other than the Lowest Bidder  
For the Year Ended September 30, 2016

**Schedule 1**

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
2/29/2016	Double drum vibratory rollers	\$ 97,190	MIDSOUTH		Low bidder did not meet specifications
3/21/2016	Wheel Loader	\$ 146,987	Puckett Machinery		Low bidder did not meet specifications

**Jackson County, Mississippi**  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2016

**Schedule 2**

Our test results did not identify any emergency purchases.

**Jackson County, Mississippi****Schedule 3**

Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2016

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
5/16/2016	Express poll tablet with barcode scanning and signature capture capabilities.	\$ 121,794	Election Systems and Software, LLC

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

LIMITED INTERNAL CONTROL  
AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors  
Jackson County, Mississippi

In planning and performing our audit of the financial statements of Jackson County, Mississippi for the year ended September 30, 2016, we considered Jackson County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Jackson County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated August 10, 2017, on the financial statements of Jackson County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
August 10, 2017

Certified Public Accountants

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS



## **Jackson County, Mississippi**

### **Schedule of Findings and Question Costs For the Year Ended September 30, 2016**

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

##### **Financial Statements:**

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

##### **Federal Awards:**

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant
15.435	GoMESA
20.205	Highway Planning and Construction Program

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000.
9. Auditee qualified as a low-risk auditee? No.

## 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 by *Government Auditing Standards*.

## Section III: Federal Award Findings and Questioned Costs

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