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JACKSON COUNTY SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2017

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TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	7
MANAGEMENT'S DISCUSSION AND ANALYSIS	11
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Exhibit A - Statement of Net Position	23
Exhibit B - Statement of Activities	24
GOVERNMENTAL FUND FINANCIAL STATEMENTS	
Exhibit C - Balance Sheet	27
Exhibit C-1 - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	28
Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances	29
Exhibit D-1 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	30
FIDUCIARY FUND FINANCIAL STATEMENTS	
Exhibit E - Statement of Fiduciary Assets and Liabilities	33
NOTES TO BASIC FINANCIAL STATEMENTS	37
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule-General Fund	59
Schedule of School District's Proportionate Share of the Net Pension Liability	60
Schedule of School District Contributions	61
Notes to the Required Supplementary Information	62
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	65
Schedule of Instructional, Administrative and Other Expenditures-Governmental Funds	66
Notes to the Supplementary Information	67
OTHER INFORMATION	
Statement of Revenue, Expenditures and Changes in Fund Balances-General Fund, Last Four Years	71
Statement of Revenue, Expenditures and Changes in Fund Balances-All Governmental Funds, Last Four Years	72
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	75
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	77
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	83
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	87
AUDITEE'S CORRECTIVE ACTION PLAN	89

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INDEPENDENT AUDITOR'S REPORT

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Wolfe • McDuff & Oppie
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INDEPENDENT AUDITOR'S REPORT

To the Superintendent and School Board
Jackson County School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson County School District (the School District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Jackson County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson County School District, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Membership in:

American Institute of Certified Public Accountants • Mississippi Society of Certified Public Accountants
AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center



Independent Auditor's Report, Page 2

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, and net pension schedules on pages 11 - 18, 59, and 60 - 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jackson County School District's basic financial statements. The Schedule of Instructional, Administrative, and Other Expenditures for Governmental Funds, and the Other Information section, which includes the Statement of Revenues, Expenditures, and Changes in Fund Balance-General Fund, Last Four Years and the Statement of Revenues, Expenditures, and Changes in Fund Balance-All Governmental Funds, Last Four Years, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis 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 is also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2017, on our consideration of the Jackson County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Jackson County School District's internal control over financial reporting and compliance.

Wolfe, McDuff & Oppie

Wolfe, McDuff & Oppie, P.A.
Pascagoula, Mississippi
March 14, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

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JACKSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2017

The following discussion and analysis of Jackson County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- ◆ Total net position for 2017 decreased \$3,682,542, including a prior period adjustment of \$305,721, which represents a 36% decrease from fiscal year 2016. Total net position for 2016 increased \$697,808, which represents a(n) 7% increase from fiscal year 2015.
- ◆ General revenues amounted to \$76,084,666 and \$72,870,921, or 88% and 87% of all revenues for fiscal years 2017 and 2016, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$10,123,854, or 12% of total revenues for 2017, and \$10,462,530, or 13% of total revenues for 2016.
- ◆ The School District had \$90,196,783 and \$82,635,643 in expenses for fiscal years 2017 and 2016; only \$10,123,854 for 2017 and \$10,462,530 for 2016 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$76,084,666 for 2017 and \$72,870,921 for 2016 were not adequate to provide for these programs.
- ◆ Among major funds, the General Fund had \$76,150,845 in revenues and \$68,531,125 in expenditures for 2017, and \$69,522,416 in revenues and \$66,635,347 in expenditures in 2016. The General Fund's fund balance increased by \$6,865,051 from 2016 to 2017, and increased by \$2,721,900 from 2015 to 2016.
- ◆ Capital assets, net of accumulated depreciation, decreased by \$1,825,528 for 2017 and decreased by \$2,451,733 for 2016. The decrease for 2017 was due to the disposal of various furniture and equipment and mobile equipment coupled with the increase in accumulated depreciation.
- ◆ Long-term debt decreased by \$192,897 for 2017 and decreased by \$2,012,117 for 2016. This decrease for 2017 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$119,979 for 2017 and increased by \$150,267 for 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

JACKSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2017

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

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

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

Fund Financial Statements

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

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

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

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

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

JACKSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2017

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

A net pension liability results in a liability on the government-wide financial statements but is not reported on governmental funds financial statements.

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

JACKSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the School District's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,609,489 as of June 30, 2017.

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

Table 1 presents a summary of the School District's net position at June 30, 2017 and June 30, 2016.

Table 1
Condensed Statement of Net Position

	2017	2016	Percentage Change
Current assets	\$ 23,156,361	18,189,088	27 %
Restricted assets	4,676,045	2,756,246	70 %
Capital assets, net	<u>89,188,659</u>	<u>91,014,187</u>	(2)%
Total Assets	<u>117,021,065</u>	<u>111,959,521</u>	5 %
 Deferred Outflows of Resources	 <u>25,737,615</u>	 <u>18,786,160</u>	 37 %
 Current liabilities	1,253,348	1,441,316	(13)%
Long-term liabilities	11,675,296	11,868,193	(2)%
Net pension liabilities	<u>122,893,979</u>	<u>104,341,689</u>	18 %
Total Liabilities	<u>135,822,623</u>	<u>117,651,198</u>	15 %
 Deferred Inflows of Resources	 <u>326,568</u>	 <u>2,802,452</u>	 (88)%
 Net Position:			
Net investment in capital assets	78,313,888	81,326,641	(4)%
Restricted	4,985,407	5,316,812	(6)%
Unrestricted	<u>(76,689,806)</u>	<u>(76,351,422)</u>	-
Total Net Position	<u>\$ 6,609,489</u>	<u>10,292,031</u>	(36)%

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (76,689,806)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	<u>97,482,932</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 20,793,126</u>

JACKSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2017

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

- ◆ Decrease in net capital assets in the amount of \$1,825,528.
- ◆ The principal retirement of \$957,675 of long-term debt.

Changes in net position

The School District's total revenues for the fiscal years ended June 30, 2017 and June 30, 2016 were \$86,208,520 and \$83,333,451, respectively. The total cost of all programs and services was \$90,196,783 for 2017 and \$82,635,643 for 2016.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2017 and June 30, 2016.

Table 2
Changes in Net Position

	<u>2017</u>	<u>2016</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 1,692,279	1,755,771	(4)%
Operating grants and contributions	8,231,850	8,706,759	(5)%
Capital grants and contributions	199,725	-	
General revenues:			
Property taxes	34,904,401	30,661,925	14 %
Grants and contributions not restricted	38,709,990	39,947,259	(3)%
Investment earnings	116,185	73,560	58 %
Sixteenth section sources	455,271	602,314	(24)%
Other	<u>1,898,819</u>	<u>1,585,863</u>	20 %
Total Revenues	<u>86,208,520</u>	<u>83,333,451</u>	3 %
Expenses:			
Instruction	40,964,530	42,348,392	(3)%
Support Services	28,599,841	26,174,841	9 %
Non-instructional	4,782,560	3,679,887	30 %
Sixteenth section	22,398	43,635	(49)%
Pension expense	15,644,917	10,087,922	55 %
Interest on long-term liabilities	<u>182,537</u>	<u>300,966</u>	(39)%
Total Expenses	<u>90,196,783</u>	<u>82,635,643</u>	9 %
Increase (Decrease) in Net Position	<u>(3,988,263)</u>	<u>697,808</u>	(672)%
Net Position, July 1, as previously reported	10,292,031	9,594,223	7 %
Prior Period Adjustment	<u>305,721</u>	<u>-</u>	
Net Position, July 1, as restated	<u>10,597,752</u>	<u>9,594,223</u>	10 %
Net Position, June 30	<u>\$ 6,609,489</u>	<u>10,292,031</u>	(36)%

JACKSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2017

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2017	2016	
Instruction	\$ 40,964,530	42,348,392	(3)%
Support services	28,599,841	26,174,841	9 %
Non-instructional	4,782,560	3,679,887	30 %
Sixteenth section	22,398	43,635	(49)%
Pension expense	15,644,917	10,087,922	55 %
Interest on long-term liabilities	182,537	300,966	(39)%
Total Expenses	\$ 90,196,783	82,635,643	9 %

	Net (Expense) Revenue		Percentage Change
	2017	2016	
Instruction	\$ (31,691,254)	(38,150,907)	(17)%
Support services	(28,599,841)	(23,624,721)	21 %
Non-instructional	(3,931,982)	35,038	(11,322)%
Sixteenth section	(22,398)	(43,635)	(49)%
Pension expense	(15,644,917)	(10,087,922)	55 %
Interest on long-term liabilities	(182,537)	(300,966)	(39)%
Total Net (Expense) Revenue	\$ (80,072,929)	(72,173,113)	11 %

- ◆ Net cost of governmental activities (\$80,072,929) for 2017 and \$(72,173,113) for 2016) was financed by general revenue, which is primarily made up of property taxes (\$34,904,401 for 2017 and \$30,661,925 for 2016) and state and federal revenues (\$38,709,990 for 2017 and \$39,947,259 for 2016). In addition, there was \$455,271 and \$602,314 in Sixteenth Section sources for 2017 and 2016, respectively.
- ◆ Investment earnings amounted to \$116,185 for 2017 and \$73,560 for 2016.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

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

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

JACKSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2017

The financial performance of the School District as a whole is reflected in its governmental funds. As the School District completed the year, its governmental funds reported a combined fund balance of \$24,993,532, a(n) increase of \$6,353,118, which includes a prior period adjustment of \$305,721 and an increase in inventory of \$52,202. \$16,864,431 or 67% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$8,129,101 or 33% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the School District. The increase in fund balance in the General Fund for the fiscal year was \$6,865,051. The fund balance of Other Governmental Funds showed a decrease in the amount of \$511,933, which includes a prior period adjustment of \$122,632 and an increase in reserve for inventory of \$52,202, due primarily to normal operations.

BUDGETARY HIGHLIGHTS

During the year, the School District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2017, the School District's total capital assets were \$133,441,775, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$1,009,292 from 2016. Total accumulated depreciation as of June 30, 2017, was \$44,253,116, and total depreciation expense for the year was \$3,258,530, resulting in total net capital assets of \$89,188,659.

Table 4
Capital Assets, Net of Accumulated Depreciation

	2017	2016	Percentage Change
Land	\$ 343,261	343,261	-
Buildings	80,633,716	82,716,590	(3)%
Building improvements	3,198,767	3,631,163	(12)%
Improvements other than buildings	1,773,778	1,784,074	(1)%
Mobile equipment	2,360,882	1,921,724	23 %
Furniture and equipment	647,237	617,375	5 %
Leased property under capital leases	231,018	-	
Total	\$ 89,188,659	91,014,187	(2)%

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

JACKSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2017

Debt Administration. At June 30, 2017, the School District had \$11,675,296 in outstanding long-term debt, of which \$1,746,133 is due within one year. The liability for compensated absences increased \$119,979 from the prior year.

Table 5
Outstanding Long-Term Debt

	2017	2016	Percentage Change
Three mill note payable	\$ 6,650,000	7,100,000	(6)%
Obligations under capital lease	317,714	-	
Obligations under energy efficiency lease	907,057	1,087,647	(17)%
Qualified school construction bond payable	3,000,000	3,000,000	-
Compensated absences payable	800,525	680,546	18 %
Total	\$ 11,675,296	11,868,193	(2)%

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

CURRENT ISSUES

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

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

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

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Jackson County School District, Post Office Box 5069, Vancleave, Mississippi 39565-5069.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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JACKSON COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

Exhibit A

June 30, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 18,300,102
Due from other governments	3,476,699
Prepaid items	1,225,449
Inventories	154,111
Restricted assets	4,676,045
Capital assets, non-depreciable	
Land	343,261
Capital assets, net of accumulated depreciation	
Buildings	80,633,716
Building improvements	3,198,767
Improvements other than buildings	1,773,778
Mobile equipment	2,360,882
Furniture and equipment	647,237
Leased property under capital leases	231,018
Total Assets	<u>117,021,065</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	25,737,615
Total Deferred Outflows of Resources	<u>25,737,615</u>
LIABILITIES	
Accounts payable and accrued liabilities	1,099,470
Unearned income	51,025
Interest payable on long-term liabilities	102,853
Long-term liabilities, due within one year	
Capital related liabilities	1,345,870
Non-capital related liabilities	400,263
Long-term liabilities, due beyond one year	
Capital related liabilities	9,528,901
Non-capital related liabilities	400,262
Net pension liability	122,893,979
Total Liabilities	<u>135,822,623</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	326,568
Total Deferred Inflows of Resources	<u>326,568</u>
NET POSITION	
Net investment in capital assets	78,313,888
Restricted for:	
Expendable:	
School-based activities	1,751,443
Debt Service	2,214,499
Forestry improvements	196,418
Unemployment benefits	163,470
Non-expendable	
Sixteenth section	659,577
Unrestricted	(76,689,806)
Total Net Position	<u>\$ 6,609,489</u>

JACKSON COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES For the Year Ended June 30, 2017

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 40,964,530	841,701	8,231,850	199,725	(31,691,254)
Support services	28,599,841	-	-	-	(28,599,841)
Non-instructional	4,782,560	850,578	-	-	(3,931,982)
Sixteenth section	22,398	-	-	-	(22,398)
Pension expense	15,644,917	-	-	-	(15,644,917)
Interest on long-term liabilities	182,537	-	-	-	(182,537)
Total Governmental Activities	\$ 90,196,783	1,692,279	8,231,850	199,725	(80,072,929)
General Revenues:					
Taxes:					
General purpose levies					33,441,186
Debt purpose levies					1,463,215
Unrestricted grants and contributions:					
State					38,623,553
Federal					86,437
Unrestricted investment earnings					116,185
Sixteenth section sources					455,271
Other					1,898,819
Total General Revenues					76,084,666
Change in Net Position					(3,988,263)
Net position - Beginning, as originally reported					10,292,031
Prior period adjustment, Note 10					305,721
Net position - Beginning, as restated					10,597,752
Net position - Ending					\$ 6,609,489

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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JACKSON COUNTY SCHOOL DISTRICT

BALANCE SHEET-GOVERNMENTAL FUNDS

Exhibit C

June 30, 2017

	<u>Major Fund</u>		
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 15,772,866	5,790,163	21,563,029
Cash with fiscal agents	-	1,413,118	1,413,118
Due from other governments	2,762,807	713,892	3,476,699
Due from other funds	-	313,628	313,628
Inventories	-	154,111	154,111
Total Assets	<u>\$ 18,535,673</u>	<u>8,384,912</u>	<u>26,920,585</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
LIABILITIES			
Accounts payable and accrued liabilities	\$ 915,867	183,603	1,099,470
Unearned income	-	51,025	51,025
Due to other funds	<u>241,769</u>	<u>71,859</u>	<u>313,628</u>
Total Liabilities	<u>1,157,636</u>	<u>306,487</u>	<u>1,464,123</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	<u>-</u>	<u>462,930</u>	<u>462,930</u>
Total Deferred Inflows of Resources	<u>-</u>	<u>462,930</u>	<u>462,930</u>
FUND BALANCE			
Nonspendable:			
Inventory	-	154,111	154,111
Permanent fund principal	-	659,577	659,577
Restricted:			
Debt service	-	2,317,352	2,317,352
Forestry improvement purposes	-	196,418	196,418
School-based activities	-	1,597,332	1,597,332
Unemployment benefits	-	163,470	163,470
Assigned:			
Activity funds	513,606	-	513,606
Capital improvements	-	2,527,235	2,527,235
Unassigned	<u>16,864,431</u>	<u>-</u>	<u>16,864,431</u>
Total Fund Balance	<u>17,378,037</u>	<u>7,615,495</u>	<u>24,993,532</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 18,535,673</u>	<u>8,384,912</u>	<u>26,920,585</u>

JACKSON COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION June 30, 2017

Exhibit C-1

Total governmental fund balance \$ 24,993,532

Amounts reported for governmental activities in the Statement of Net Position are different than those reported in the fund financial statements because of the following:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 89,188,659

Some of the School District's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. 462,930

Prepaid items, such as prepaid insurance, are accounted for as expenditures in the period of acquisition and, therefore, are not reported in the funds. 1,225,449

Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds. (122,893,979)

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

Deferred outflows of resources related to pensions	\$ 25,737,615	
Deferred inflows of resources related to pensions	<u>(326,568)</u>	25,411,047

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

Capital leases	(1,224,771)	
Notes payable	(6,650,000)	
Bonds payable	(3,000,000)	
Accrued interest payable	(102,853)	
Compensated absences	<u>(800,525)</u>	<u>(11,778,149)</u>

Net position of governmental activities \$ 6,609,489

JACKSON COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS For the Year Ended June 30, 2017

Exhibit D

	<u>Major Fund</u>		
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Local sources	\$ 35,073,936	2,284,623	37,358,559
State sources	39,564,396	901,080	40,465,476
Federal sources	1,130,293	6,662,645	7,792,938
Sixteenth section	<u>382,220</u>	<u>73,051</u>	<u>455,271</u>
Total Revenues	<u>76,150,845</u>	<u>9,921,399</u>	<u>86,072,244</u>
EXPENDITURES			
Instruction	41,332,666	3,835,968	45,168,634
Support services	27,076,327	3,341,697	30,418,024
Noninstructional services	17,375	3,893,748	3,911,123
Sixteenth section	13,423	8,975	22,398
Debt service			
Principal	27,085	930,590	957,675
Interest	3,559	198,524	202,083
Other	-	3,200	3,200
Facilities acquisition and construction	<u>60,690</u>	<u>-</u>	<u>60,690</u>
Total Expenditures	<u>68,531,125</u>	<u>12,212,702</u>	<u>80,743,827</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>7,619,720</u>	<u>(2,291,303)</u>	<u>5,328,417</u>
OTHER FINANCING SOURCES (USES)			
Bonds and notes issued	-	300,000	300,000
Capital leases issued	344,800	-	344,800
Insurance recovery	21,978	-	21,978
Operating transfers in (out)	<u>(1,304,536)</u>	<u>1,304,536</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(937,758)</u>	<u>1,604,536</u>	<u>666,778</u>
Net Change in Fund Balances	<u>6,681,962</u>	<u>(686,767)</u>	<u>5,995,195</u>
Fund Balance - Beginning, as originally reported	10,512,986	8,127,428	18,640,414
Prior period adjustment, Note 10	<u>183,089</u>	<u>122,632</u>	<u>305,721</u>
Fund Balance - Beginning, as restated	<u>10,696,075</u>	<u>8,250,060</u>	<u>18,946,135</u>
Increase (Decrease) in reserve for inventory	<u>-</u>	<u>52,202</u>	<u>52,202</u>
Fund Balance - Ending	<u>\$ 17,378,037</u>	<u>7,615,495</u>	<u>24,993,532</u>

JACKSON COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES For the Year Ended June 30, 2017

Exhibit D-1

Net change in fund balances - total governmental funds \$ 5,995,195

Amounts reported for governmental activities in the Statement of Activities are different than those reported in the fund financial statements because of the following:

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

Capital outlay	\$ 1,440,430	
Depreciation expense	<u>(3,258,530)</u>	(1,818,100)

In the Statement of Activities, only the gain/loss on the sale of assets is reported, while in the governmental fund, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold.

(7,428)

Receivables that do not meet the "measurable and available" criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Activities, they are recognized as revenue when levied or earned.

(523,074)

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

Bonds and notes issued	(300,000)	
Capital lease issued	(344,800)	
Payments of debt principal	957,675	
Accrued interest payable	<u>19,546</u>	332,421

Some items relating to pensions and reported in the Statement of Activities do not provided or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. These activities include:

Pension expense	(15,644,917)	
Contributions subsequent to the measurement date	<u>6,519,966</u>	(9,124,951)

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

Change in compensated absences	(119,977)	
Change in inventory reserve	52,202	
Prepaid items	<u>1,225,449</u>	<u>1,157,674</u>

Change in net position of governmental activities \$ (3,988,263)

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

FIDUCIARY FUND FINANCIAL STATEMENTS

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JACKSON COUNTY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

Exhibit E

June 30, 2017

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 4,660,631
Total Assets	<u>4,660,631</u>
LIABILITIES	
Accounts payable and accrued liabilities	4,335,569
Due to student clubs	<u>325,062</u>
Total Liabilities	<u>\$ 4,660,631</u>

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NOTES TO BASIC FINANCIAL STATEMENTS

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JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The School District reports the following major governmental funds:

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

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

The School District's fiduciary funds include the following:

Payroll Clearing Fund - This fund is used to report the payroll resources held by the School District in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Student Club Activity Fund - This fund is used to report student club resources held by the School District in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Additionally, the School District reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

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

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Encumbrances

An encumbrance system is maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the School District attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

E. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position/Fund Balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the School District are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Inventories and Prepaid Items

Inventories

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

Prepaid Items

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following schedule details the capitalization thresholds:

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

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

7. *Deferred outflows/inflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has 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 an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has a deferred inflow which is presented as a deferred inflow of resources related to pension obligations and unavailable revenue. Unavailable revenue is reported only on the governmental fund balance sheet, and represents receivables which will not be collected within the available period. These amounts are deferred and recognized as an inflow or resources in the period the amounts become available.

See Note 15 for further details.

8. *Compensated Absences*

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

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

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

11. Fund Balances

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

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

- ◆ *Nonspendable fund balance* includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.
- ◆ *Restricted fund balance* includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.
- ◆ *Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the School District's highest level of decision-making authority. Currently there is no committed fund balance for this School District.
- ◆ *Assigned fund balance* includes amounts that are constrained by the School District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent and Business Manager pursuant to authorization established by the School District.

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The School District's financial management plan sets the minimum unassigned fund balance for the general fund to equal seven percent of the ensuing year's district maintenance revenues. This will ensure availability of adequate funds for the next year's budget.

NOTE 2. CASH AND CASH EQUIVALENTS AND CASH WITH FISCAL AGENTS

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

A. Deposits

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

B. Cash and Cash Equivalents

The carrying amount of the School District's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$21,563,029 and \$4,660,631, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The School District does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the School District.

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2017

NOTE 2. CASH AND CASH EQUIVALENTS AND CASH WITH FISCAL AGENTS (continued)

C. Cash with Fiscal Agents

The carrying amount of School District's cash with fiscal agents held by financial institutions was \$1,413,118.

NOTE 3. INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS

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

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Activities		
Other governmental funds	General Fund	\$ 241,769
	Other governmental funds	<u>71,859</u>
Total		\$ <u>313,628</u>

The purpose of the inter-fund loans was to cover federal and state funds not received prior to year-end.

B. Inter-fund Transfers

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Governmental Activities		
Other governmental funds	General Fund	\$ <u>1,304,536</u>
Total		\$ <u>1,304,536</u>

The primary purpose of the inter-fund transfers out of the general fund and into other governmental funds was to finance basic operations of the School District that are not directly funded.

NOTE 4. RESTRICTED ASSETS

The restricted assets represent the cash balance, totaling \$659,577 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the School District's programs.

In addition, the restricted assets represent the cash totaling \$7,250 of unspent three mill note proceeds.

In addition, the restricted assets represent the cash with fiscal agents balance, totaling \$1,413,118, of the QSCB Bond Retirement Fund.

Also, the restricted assets represent the cash balances, totaling \$648,815, \$1,581,891, \$163,471, and \$201,923 of the debt service funds, grant activities, and unemployment funds, forestry escrow whose resources, respectively, are restricted only for those respective purposes.

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2017

NOTE 5. CAPITAL ASSETS

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

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Non-depreciable capital assets:				
Land	\$ 343,261	-	-	343,261
Total non-depreciable capital assets	<u>343,261</u>	<u>-</u>	<u>-</u>	<u>343,261</u>
Depreciable capital assets:				
Buildings	110,277,159	60,690	-	110,337,849
Buildings improvements	5,322,008	-	-	5,322,008
Improvements other than buildings	4,297,385	-	-	4,297,385
Mobile equipment	8,792,200	780,911	(38,322)	9,534,789
Furniture and equipment	3,400,470	254,029	(392,816)	3,261,683
Leased property under capital lease	<u>-</u>	<u>344,800</u>	<u>-</u>	<u>344,800</u>
Total depreciable capital assets	<u>132,089,222</u>	<u>1,440,430</u>	<u>(431,138)</u>	<u>133,098,514</u>
Total governmental activities capital assets	<u>132,432,483</u>	<u>1,440,430</u>	<u>(431,138)</u>	<u>133,441,775</u>
Less accumulated depreciation for:				
Buildings	27,560,569	2,143,564	-	29,704,133
Buildings improvements	1,690,845	432,396	-	2,123,241
Improvements other than buildings	2,513,311	10,296	-	2,523,607
Mobile equipment	6,870,476	341,752	(38,321)	7,173,907
Furniture and equipment	2,783,095	216,738	(385,387)	2,614,446
Leased property under capital leases	<u>-</u>	<u>113,784</u>	<u>(2)</u>	<u>113,782</u>
Total accumulated depreciation	<u>41,418,296</u>	<u>3,258,530</u>	<u>(423,710)</u>	<u>44,253,116</u>
Governmental activities capital assets, net	<u>\$ 91,014,187</u>	<u>(1,818,100)</u>	<u>(7,428)</u>	<u>89,188,659</u>

Depreciation expense was charged to the following governmental functions:

Governmental activities:	Amount
Instruction	\$ 2,587,151
Support services	598,115
Non-instructional	<u>73,264</u>
Total depreciation expense	<u>\$ 3,258,530</u>

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2017

NOTE 6. LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
A. Three Mill Notes Payable	\$ 7,100,000	300,000	(750,000)	6,650,000	1,075,000
B. Qualified School Construction Bond	3,000,000	-	-	3,000,000	-
C. Energy Efficiency Lease	1,087,647	-	(180,590)	907,057	187,868
D. Obligation under capital leases	-	344,799	(27,085)	317,714	83,002
E. Compensated absences	<u>680,546</u>	<u>119,979</u>	<u>-</u>	<u>800,525</u>	<u>400,263</u>
Total governmental activities long-term liabilities	\$ <u>11,868,193</u>	<u>764,778</u>	<u>(957,675)</u>	<u>11,675,296</u>	<u>1,746,133</u>

A. Three Mill Notes Payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three Mill Ten Year Note, Series 2012	2.21 %	10/25/2012	10/1/2023	\$ 8,800,000	6,350,000
Three Mill One Year Note, Series 2016	0.93 %	11/4/2016	11/4/2017	<u>300,000</u>	<u>300,000</u>
Total				\$ <u>9,100,000</u>	<u>6,650,000</u>

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

Three Mill Note Payable Issue Date 2012:			
Amounts due fiscal year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2018	\$ 775,000	140,335	915,335
2019	785,000	123,208	908,208
2020	800,000	150,859	950,859
2021	825,000	88,179	913,179
2022	850,000	69,947	919,947
2023 - 2027	<u>2,315,000</u>	<u>76,908</u>	<u>2,391,908</u>
Total	\$ <u>6,350,000</u>	<u>649,436</u>	<u>6,999,436</u>

This debt will be retired from the Debt Service Fund.

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2017

NOTE 6. LONG-TERM LIABILITIES (continued)

Three Mill Note Payable Issue Date 2016:

Amounts due fiscal year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2018	\$ 300,000	2,790	302,790
Total	\$ 300,000	2,790	302,790

This debt will be retired from the Debt Service Fund.

Total Three Mill Note Payable For All Issues:

Amounts due fiscal year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2018	\$ 1,075,000	143,125	1,218,125
2019	785,000	123,208	908,208
2020	800,000	150,859	950,859
2021	825,000	88,719	913,719
2022	850,000	69,947	919,947
2023 - 2027	2,315,000	76,908	2,391,908
Total	\$ 6,650,000	652,766	7,302,766

B. Qualified School Construction Bonds Payable

As more fully explained in Note 13, debt has been issued by the School District that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified School Construction Bond	- %	12/20/2010	12/15/2020	\$ 3,000,000	3,000,000
Total				\$ 3,000,000	3,000,000

C. Obligations Under Energy Efficiency Leases

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Energy Efficiency Lease	3.99 %	11/15/2006	11/15/2021	\$ 2,490,000	907,057
Total				\$ 2,490,000	907,057

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2017

NOTE 6. LONG-TERM LIABILITIES (continued)

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

Obligations Under Energy Efficiency Lease			
Amounts due fiscal year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2018	\$ 187,868	34,336	222,204
2019	195,438	26,766	222,204
2020	203,314	18,890	222,204
2021	211,507	10,696	222,203
2022	108,930	2,173	111,103
Total	\$ 907,057	92,861	999,918

This debt will be retired from the Debt Service Fund.

An energy efficiency lease agreement dated November 15, 2006, was executed by and between the School District, the lessee, and Hancock Bank, the lessor.

The agreement authorized the borrowing of \$2,490,000 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the Debt Service Fund and not exceed fifteen (15) years.

The School District entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

D. Obligations Under Capital Leases

The School District has entered into a lease agreement as lessee for financing the acquisition of various copiers at a cost of \$344,800 with a down payment of \$-. This lease qualifies as a capital lease for accounting purposes.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Obligations under capital leases	3.19 %	2/24/2017	2/24/2021	\$ 344,800	317,714
Total				\$ 344,800	317,714

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2017

NOTE 6. LONG-TERM LIABILITIES (continued)

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

Obligations Under Capital Leases			
	Governmental Activities		
		Interest and Maintenance	
Amounts due fiscal year ending June 30,	Principal	Charges	Total
2018	\$ 83,002	8,929	91,931
2019	85,689	6,241	91,930
2020	88,463	3,468	91,931
2021	60,560	787	61,347
Total	\$ 317,714	19,425	337,139

This debt will be retired from the General Fund.

E. Compensated Absences Payable

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

NOTE 7. DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

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

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2017

NOTE 7. DEFINED BENEFIT PENSION PLAN (continued)

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the School District is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2017 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The School District's contributions to PERS for the fiscal years ended June 30, 2017, 2016, and 2015 were \$6,519,966, \$6,933,736 and \$6,642,042, 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, 2017, the School District reported a liability of \$122,893,979 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 School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The School District's proportionate share used to calculate the June 30, 2017 net pension liability was 0.688 percent, which was based on a measurement date of June 30, 2016. This was an increase of 0.013 percent from its proportionate share used to calculate the June 30, 2016 net pension liability, which was based on a measurement date of June 30, 2015.

For the year ended June 30, 2017, the School District recognized pension expense of \$15,644,917. At June 30, 2017 the School 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 experiences	\$ 3,427,839	-
Net difference between projected and actual earnings on pension plan investments	8,325,467	-
Changes of assumptions	5,793,489	326,568
Changes in proportion and differences between School District contributions and proportionate share of contributions	1,670,854	-
School District contributions subsequent to the measurement date	6,519,966	-
Total	\$ 25,737,615	326,568

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2017

NOTE 7. DEFINED BENEFIT PENSION PLAN (continued)

\$6,519,966 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	Amount
2018	\$ 6,655,400
2019	5,138,382
2020	4,669,502
2021	2,427,797
Total	\$ 18,891,081

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%, 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 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)
Total	100.00 %	

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2017

NOTE 7. 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 and that Employer contributions will be made at the current employer contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School District's proportionate share of the net pension liability to changes in the discount rate. The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the School 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 (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 157,577,635	122,893,979	94,117,788

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

NOTE 8. SIXTEENTH SECTION LANDS

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

Year ending June 30,	Amount
2018	\$ 352,134
2019	344,193
2020	334,725
2021	331,448
2022	331,448
2023 - 2027	1,657,242
2028 - 2032	1,595,846
Thereafter	2,561,207
Total	\$ 7,508,243

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2017

NOTE 9. PRIOR PERIOD ADJUSTMENTS

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

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
To correct the understatement of grant activities	\$ 301,440
To correct the overstatement of bonds payable	4,281
Total	\$ 305,721

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

<u>Fund</u>	<u>Explanation</u>	<u>Amount</u>
General Fund	To correct the understatement of grant activities and overstatement of bonds payable	\$ 183,089
Other Governmental Funds	To correct the understatement of grant activities	122,632
Total		\$ 305,721

NOTE 10. CONTINGENCIES

A. Federal Grants

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

B. Litigation

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

NOTE 11. RISK MANAGEMENT

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

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2017

NOTE 11. RISK MANAGEMENT (continued)

Participation in Public Entity Risk Pool

The School District is a member of the Mississippi Municipal Workers' Compensation Group (MMWCG). The group is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. MMWCG covers risks of loss arising from injuries to the School District's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of the MMWCG contributes quarterly to a fund held in trust. The funds in the trust account are used to pay any claim up to \$500,000. For a claim exceeding \$500,000, MMWCG has insurance which will pay the excess up to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the pool members would be required to pay for the deficiencies. The School District has not had an additional assessment for excess losses incurred by the pool.

NOTE 12. QUALIFIED SCHOOL CONSTRUCTION BONDS

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the School District.

The School District makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2017 was \$1,413,118. The amount accumulated in the sinking fund at the end of the seventeen-year period is expected to be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the School District.

<u>Year ending June 30,</u>	<u>Amount</u>
2018	\$ 397,000
2019	397,000
2020	397,000
2021	397,000
Total	\$ 1,588,000

NOTE 13. INSURANCE LOSS RECOVERIES

The Jackson County School District received \$21,978 in insurance loss recoveries related to bus damage during the 2016-2017 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as non-instructional charges for services.

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2017

NOTE 14. EFFECT OF DEFERRED AMOUNTS ON NET POSITION

The unrestricted net position amount of \$(76,689,806) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$25,737,615 balance of the deferred outflow of resources at June 30, 2017 will be recognized as expenses and decrease unrestricted net position over the next three years.

The unrestricted net position amount of \$(76,689,806) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$326,568 balance of the deferred inflow of resources at June 30, 2017 will be recognized as revenue and increase unrestricted net position over the next four years.

NOTE 15. SUBSEQUENT EVENTS

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Jackson County School District evaluated the activity of the School District through March 14, 2018, (the date the financial statements were available to be issued), and determined that the following subsequent event(s) has (have) occurred requiring disclosure in the notes to the financial statements:

The School District issued a revenue shortfall promissory note dated September 21, 2017 in the amount of \$1,805,861 together with interest payable in three equal, annual installments of principal and interest due on September 21 of each year, beginning September 21, 2018. This note is issued under and by virtue of Sections 37-57-108 and 27-39-333 of the Mississippi Code of 1972, as amended, and resolutions of the Board of Education of the School District adopted on July 10, 2017 and August 14, 2017 (collectively, the "Loan Resolution"). The note proceeds are to be used by the School District for the purpose of alleviating a shortfall in anticipated revenue for the School District's fiscal year 2016-2017 caused by circumstances which were unanticipated at the time of the formulation or amendment of the School District's budget which will prevent the School District from meeting its financial obligations. To the extent not paid from other sources, this note shall be repaid out of the proceeds of a tax levied annually on all of the taxable property within the School District by the Board of Supervisors of Jackson County, Mississippi, until the principal and interest on this note is paid in full.

REQUIRED SUPPLEMENTARY INFORMATION

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JACKSON COUNTY SCHOOL DISTRICT

Required Supplementary Information

BUDGETARY COMPARISON SCHEDULE-GENERAL FUND

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Local sources	\$ 31,637,230	35,010,915	35,073,936	(3,373,685)	(63,021)
State sources	39,716,784	39,614,081	39,564,396	102,703	49,685
Federal sources	255,365	1,263,450	1,130,293	(1,008,085)	133,157
Sixteenth section sources	<u>391,586</u>	<u>382,220</u>	<u>382,220</u>	<u>9,366</u>	<u>-</u>
Total Revenues	<u>72,000,965</u>	<u>76,270,666</u>	<u>76,150,845</u>	<u>(4,269,701)</u>	<u>119,821</u>
EXPENDITURES					
Instruction	41,964,526	41,157,585	41,219,490	(806,941)	61,905
Support services	25,965,988	23,781,709	26,175,938	(2,184,279)	2,394,229
Noninstructional services	86,101	17,376	17,375	(68,725)	(1)
Sixteenth section	20,144	13,423	13,423	(6,721)	-
Capital outlay	549,626	1,011,105	1,074,255	461,479	63,150
Debt service:					
Principal	-	30,644	27,085	30,644	(3,559)
Interest	<u>-</u>	<u>3,559</u>	<u>3,559</u>	<u>3,559</u>	<u>-</u>
Total Expenditures	<u>68,586,385</u>	<u>66,015,401</u>	<u>68,531,125</u>	<u>(2,570,984)</u>	<u>2,515,724</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>3,414,580</u>	<u>10,255,265</u>	<u>7,619,720</u>	<u>(6,840,685)</u>	<u>2,635,545</u>
OTHER FINANCING SOURCES (USES)					
Bonds and notes issued	-	344,800	344,800	(344,800)	-
Insurance recovery	-	11,237	21,978	(11,237)	(10,741)
Operating transfers in (out)	<u>(1,730,593)</u>	<u>(1,957,663)</u>	<u>(1,304,536)</u>	<u>227,070</u>	<u>(653,127)</u>
Total Other Financing Sources (Uses)	<u>(1,730,593)</u>	<u>(1,601,626)</u>	<u>(937,758)</u>	<u>(128,967)</u>	<u>(663,868)</u>
Net Change in Fund Balances	<u>1,683,987</u>	<u>8,653,639</u>	<u>6,681,962</u>	<u>(6,969,652)</u>	<u>1,971,677</u>
Fund Balance - Beginning, as originally reported	10,512,986	10,512,986	10,512,986	-	-
Prior period adjustment	<u>-</u>	<u>-</u>	<u>183,089</u>	<u>-</u>	<u>(183,089)</u>
Fund Balance - Beginning, as restated	<u>10,512,986</u>	<u>10,512,986</u>	<u>10,696,075</u>	<u>-</u>	<u>(183,089)</u>
Fund Balance - Ending	<u>\$ 12,196,973</u>	<u>19,166,625</u>	<u>17,378,037</u>	<u>(6,969,652)</u>	<u>1,788,588</u>

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

JACKSON COUNTY SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY*

Public Employees Retirement System of Mississippi (PERS)

Last 10 Fiscal Years (Only 3 Years Shown)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension liability (asset)	0.688 %	0.675 %	0.670 %
School District's proportionate share (amount) of the net pension liability	\$ 122,893,979	104,341,689	81,325,731
School District's covered payroll	\$ 44,023,721	42,171,695	40,669,987
School District's proportionate share (amount) of the collective net pension liability as a percentage of its covered payroll	279.15 %	247.42 %	199.96 %
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 the measurement date of June 30 of the year prior to the fiscal year presented.

**This schedule is presented to illustrate the requirements to show information for 10 years. However, GASB Statement No. 68 was implemented in fiscal year ended June 30, 2015, and, 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 SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS

Public Employees Retirement System of Mississippi (PERS)

Last 10 Fiscal Years (Only 3 Years Shown)**

	2017	2016	2015
Contractually required contribution	\$ 6,519,966	6,933,736	6,642,042
Contributions in relation to the contractually required contribution	(6,519,966)	(6,933,736)	(6,642,042)
Contribution deficiency (excess)	\$ -	-	-
School District's covered payroll	\$ 41,396,615	44,023,721	42,171,695
Contributions as a percentage of covered payroll	15.75 %	15.75 %	15.75 %

**This schedule is presented to illustrate the requirements to show information for 10 years. However, GASB Statement No. 68 was implemented in fiscal year ended June 30, 2015, and, 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 SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017

NOTE 1. BUDGETARY COMPARISON SCHEDULE

A. Basis of Presentation

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

B. Budget Amendments and Revisions

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

NOTE 2. PENSION SCHEDULES

A. Changes of Assumptions

2015:

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

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

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

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

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

2016:

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

B. 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.

SUPPLEMENTARY INFORMATION

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JACKSON COUNTY SCHOOL DISTRICT

Supplementary Information

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2017

Federal Grantor/Pass-through Grantor/Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
<i>Passed through Mississippi Department of Education</i>		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 772,440
National School Lunch Program	10.555	<u>2,327,754</u>
Total Child Nutrition Cluster		<u>3,100,194</u>
<i>Total Passed through Mississippi Department of Education</i>		<u>3,100,194</u>
 <i>Passed through Jackson County, Mississippi</i>		
School and Roads - Grants to States	10.665	<u>4,379</u>
Total U.S. Department of Agriculture		<u>3,104,573</u>
 <u>U.S. Department of Defense</u>		
<i>Direct Program:</i>		
ROTC Language and Culture Training Grants	12.357	<u>65,006</u>
Total U.S. Department of Defense		<u>65,006</u>
 <u>Federal Communications Commission</u>		
<i>Administered through the Universal Service Administrative Company:</i>		
Communications Information and Assistance and Investigation of Complaints	32.001	<u>1,151,302</u>
Total Federal Communications Commission		<u>1,151,302</u>
 <u>U.S. Department of Education</u>		
<i>Passed-through Mississippi Department of Education</i>		
Special Education Cluster (IDEA)		
Special Education-Grants to States	84.027	1,721,362
Special Education-Preschool Grants	84.173	<u>61,400</u>
Total Special Education Cluster (IDEA)		1,782,762
Title I Grants to Local Educational Agencies	84.010	1,244,873
Improving Teacher Quality State Grants	84.367	<u>259,344</u>
<i>Total Passed through Mississippi Department of Education</i>		<u>3,286,979</u>
 <i>Passed-through Mississippi Department of Rehabilitation Services</i>		
Rehabilitation Services-Vocational Rehabilitation Grants to States	84.126	<u>42,072</u>
Total U.S. Department of Education		<u>3,329,051</u>
 <u>U.S. Department of Health and Human Services</u>		
<i>Passed-through Mississippi Department of Education</i>		
Medical Assistance Program	93.778	<u>53,988</u>
Total U.S. Department of Health and Human Services		<u>53,988</u>
 Total Expenditures of Federal Awards		\$ <u>7,703,920</u>

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

JACKSON COUNTY SCHOOL DISTRICT

Supplementary Information

SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE AND OTHER EXPENDITURES - GOVERNMENTAL FUNDS

For the Year Ended June 30, 2017

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 69,437,201	47,719,424	6,240,292	4,344,139	11,133,346
Other	11,306,626	5,620,350	554,015	87,452	5,044,809
Total	\$ 80,743,827	53,339,774	6,794,307	4,431,591	16,178,155
Total number of students*	9,289				
Cost per student	\$ 8,692	5,742	731	477	1,742

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

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

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

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

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

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

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

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO THE SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2017

NOTE 1. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Jackson County School District under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Jackson County School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Jackson County School District.

B. Summary of Significant Accounting Policies

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

C. Indirect Cost Rate

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

D. Other

The pass-through entities did not assign identifying numbers to the School District.

Donated commodities of \$398,332 are included in the National School Lunch Program.

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OTHER INFORMATION

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JACKSON COUNTY SCHOOL DISTRICT

Other Information

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES- GENERAL FUND

Last Four Years

UNAUDITED

	<u>2017</u>	<u>2016*</u>	<u>2015*</u>	<u>2014*</u>
REVENUES				
Local sources	\$ 35,073,936	29,297,568	26,888,103	23,410,799
State sources	39,564,396	39,306,916	37,907,027	38,415,231
Federal sources	1,130,293	326,820	232,315	269,206
Sixteenth section	<u>382,220</u>	<u>591,112</u>	<u>475,834</u>	<u>-</u>
Total Revenues	<u>76,150,845</u>	<u>69,522,416</u>	<u>65,503,279</u>	<u>62,095,236</u>
EXPENDITURES				
Instruction	41,332,666	41,154,146	39,134,584	36,701,672
Support services	27,076,327	25,399,928	24,220,037	23,241,707
Noninstructional services	17,375	62,120	77,998	112,896
Sixteenth section	13,423	19,153	7,979	-
Debt service				
Principal	27,085	-	-	-
Interest	3,559	-	-	-
Facilities acquisition and construction	<u>60,690</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>68,531,125</u>	<u>66,635,347</u>	<u>63,440,598</u>	<u>60,056,275</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>7,619,720</u>	<u>2,887,069</u>	<u>2,062,681</u>	<u>2,038,961</u>
OTHER FINANCING SOURCES (USES)				
Capital leases issued	344,800	-	-	-
Insurance recovery	21,978	-	8,148	27,131
Operating transfers in (out)	(1,304,536)	(1,478,183)	(1,438,108)	(1,309,960)
Other financing sources (uses)	<u>-</u>	<u>1,313,014</u>	<u>14,269</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(937,758)</u>	<u>(165,169)</u>	<u>(1,415,691)</u>	<u>(1,282,829)</u>
Net Change in Fund Balances	<u>6,681,962</u>	<u>2,721,900</u>	<u>646,990</u>	<u>756,132</u>
Fund Balance - Beginning, as originally reported	10,512,986	7,791,086	7,101,240	6,989,691
Prior period adjustment	<u>183,089</u>	<u>-</u>	<u>42,856</u>	<u>(644,583)</u>
Fund Balance - Beginning, as restated	<u>10,696,075</u>	<u>7,791,086</u>	<u>7,144,096</u>	<u>6,345,108</u>
Fund Balance - Ending	<u>\$ 17,378,037</u>	<u>10,512,986</u>	<u>7,791,086</u>	<u>7,101,240</u>

*Source - Prior Year Audit Reports

JACKSON COUNTY SCHOOL DISTRICT

Other Information

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES- ALL GOVERNMENTAL FUNDS

Last Four Years

UNAUDITED

	2017	2016*	2015*	2014*
REVENUES				
Local sources	\$ 37,358,559	32,738,379	30,177,762	26,770,524
State sources	40,465,476	40,397,669	38,925,238	39,288,571
Federal sources	7,792,938	7,345,980	7,380,822	6,688,551
Sixteenth section	<u>455,271</u>	<u>633,376</u>	<u>499,626</u>	<u>368,351</u>
Total Revenues	<u>86,072,244</u>	<u>81,115,404</u>	<u>76,983,448</u>	<u>73,115,997</u>
EXPENDITURES				
Instruction	45,168,634	44,572,283	42,436,887	40,130,381
Support services	30,418,024	28,215,589	26,974,575	25,790,990
Noninstructional services	3,911,123	3,734,267	3,720,286	3,943,124
Sixteenth section	22,398	43,635	25,516	19,802
Debt service				
Principal	957,675	2,563,595	1,841,870	2,251,112
Interest	202,083	250,501	311,616	377,336
Other	3,200	5,154	1,800	3,600
Facilities acquisition and construction	<u>60,690</u>	<u>-</u>	<u>449,475</u>	<u>6,843,559</u>
Total Expenditures	<u>80,743,827</u>	<u>79,385,024</u>	<u>75,762,025</u>	<u>79,359,904</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>5,328,417</u>	<u>1,730,380</u>	<u>1,221,423</u>	<u>(6,243,907)</u>
OTHER FINANCING SOURCES (USES)				
Bonds and notes issued	300,000	-	445,000	-
Capital leases issued	344,800	-	-	-
Insurance recovery	21,978	-	8,148	27,131
Other financing sources (uses)	<u>-</u>	<u>1,311,707</u>	<u>14,125</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>666,778</u>	<u>1,311,707</u>	<u>467,273</u>	<u>27,131</u>
Net Change in Fund Balances	<u>5,995,195</u>	<u>3,042,087</u>	<u>1,688,696</u>	<u>(6,216,776)</u>
Fund Balance - Beginning, as originally reported	18,640,414	15,615,073	13,954,113	20,847,246
Prior period adjustment	<u>305,721</u>	<u>-</u>	<u>-</u>	<u>(644,583)</u>
Fund Balance - Beginning, as restated	<u>18,946,135</u>	<u>15,615,073</u>	<u>13,954,113</u>	<u>20,202,663</u>
Increase (Decrease) in reserve for inventory	<u>52,202</u>	<u>(16,746)</u>	<u>(27,736)</u>	<u>(31,774)</u>
Fund Balance - Ending	<u>\$ 24,993,532</u>	<u>\$ 18,640,414</u>	<u>15,615,073</u>	<u>13,954,113</u>

*Source - Prior Year Audit Reports

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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Wolfe • McDuff & Oppie
CERTIFIED PUBLIC ACCOUNTANTS
(A Professional Association)

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

To the School Board of Education
Jackson County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson County School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Jackson County School District's basic financial statements and have issued our report thereon dated March 14, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during 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 the Jackson County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Membership in:

American Institute of Certified Public Accountants • Mississippi Society of Certified Public Accountants
AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center



Report on Internal Control over Financial Reporting and on Compliance and Other Matters
Page 2

Purpose of this Report

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

Wolfe, McDuff & Oppie

Wolfe, McDuff & Oppie, P.A.
Pascagoula, Mississippi
March 14, 2018



Wolfe • McDuff & Oppie
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE**

To the School Board of Education
Jackson County School District

Report on Compliance for Each Major Federal Program

We have audited the Jackson County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of the Jackson County School District's major federal programs for the year ended June 30, 2017. Jackson County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on CFDA No. 84.010-Title I Grants to Local Educational Agencies

As described in the accompanying schedule of findings and questioned costs, the Jackson County School District did not comply with requirements regarding CFDA No. 84.010-Title I Grants to Local Educational Agencies as described in finding number 2017-01 for Cash Management. Compliance with such requirements is necessary, in our opinion, for the Jackson County School District to comply with the requirements applicable to that program.

Qualified Opinion on CFDA No. 84.010-Title I Grants to Local Educational Agencies

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Jackson County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA No. 84.010-Title I Grants to Local Educational Agencies for the year ended June 30, 2017.

Membership in:

American Institute of Certified Public Accountants • Mississippi Society of Certified Public Accountants
AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center



Single Audit Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance
Page 2

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Jackson County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2017.

Other Matters

Jackson County School District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Jackson County School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

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. 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.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2017-01 to be a significant deficiency.

Jackson County School District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Jackson County School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Single Audit Report on Compliance for Each Major Federal Program and Report on Internal Control over
Compliance
Page 3

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.

Wolfe, McDuff & Oppie

Wolfe, McDuff & Oppie, P.A.
Pascagoula, Mississippi
March 14, 2018

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

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Wolfe • McDuff & Oppie
CERTIFIED PUBLIC ACCOUNTANTS
(A Professional Association)

Michelle Oppie Gist, CPA

Kyriaki Jessica Martin, CPA

Julia Whitley Johnson, CPA

Jesse J. Wolfe, CPA (1927-2009)

Grover B. McDuff, CPA (1923-2016)

Jack A. Oppie, CPA (1960-2014)

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

Superintendent and School Board
Jackson County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson County School District as of and for the year ended June 30, 2017, which collectively comprise Jackson County School District's basic financial statements and have issued our report thereon dated March 14, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

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

Wolfe, McDuff & Oppie

Pascagoula, Mississippi
March 14, 2018

Membership in:

American Institute of Certified Public Accountants • Mississippi Society of Certified Public Accountants
AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center



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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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JACKSON COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | |
|--|-----|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified? | Yes |
| 5. Type of auditor's report issued on compliance for major programs: | |

<u>CFDA No. and Name of Federal Program or Cluster</u>	<u>Type of Opinion</u>
CFDA No. 12.357-ROTC Language and Culture Training Grants	Unmodified
CFDA No. 84.010-Title I Grants to Local Educational Agencies	Qualified
CFDA No. 84.126-Rehabilitation Services-Vocational Rehabilitation Grants to State	Unmodified
CFDA No. 84.367-Improving Teacher Quality State Grants	Unmodified

- | | |
|---|-----|
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes |
| 7. Identification of major programs: | |

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
ROTC Language and Culture Training Grants	12.357
Title I Grants to Local Educational Agencies	84.010
Rehabilitation Services-Vocational Rehabilitation Grants to State	84.126
Improving Teacher Quality State Grants	84.367

- | | |
|---|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. Auditee qualified as low-risk auditee? | Yes |

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

The results of our tests disclosed the following findings and questioned costs related to the federal awards.

JACKSON COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

Finding 2017-001:

Information on the Federal Program:

CFDA No.: 84.010

Program Title: Title I Grants to Local Educational Agencies

Federal Agency: U.S. Department of Education

Federal Award Identification No.: FY 2017

Federal Award Year: 2017

Pass-through Entity: Mississippi Department of Education

Criteria:

In accordance with 48 Code of Federal Regulation (CFR) section 52.216-7(b), direct cost charged to federal programs should have already occurred and been paid for by the agency receiving the reimbursement.

Condition:

The School District received reimbursement from the Title I Grants to Local Education Agencies FY 2017 grant awarded in 2017 for expenses that had already been reimbursed from the Title I Grants to Local Educational Agencies FY 2016 grant awarded in 2016 due to the misclassification of expenses. These costs were inadvertently reimbursed by the granting agency.

Questioned Costs:

\$51,025. This is the total amount of funds reimbursed from the 2017 Title I Grant to Local Educational Agencies that had previously been reimbursed from the 2016 Title I Grant to Local Educational Agencies.

Context:

Consequences of finding resulted in improper cost allocations to the grant. Expenses related to the Title I Grants to Local Educational Agencies for FY 2016 were reclassified to the expense accounts related to the Title I Grants to Local Educational Agencies for FY 2017 after the School District had already received reimbursement from the 2016 grant. Due to this, the School District requested reimbursement for these funds from the FY 2017 grant. Auditor believes the sample to be valid as related expenditures were tested.

Effect:

Overstatement of expenditures in the expense account related to the Title I Grants to Local Educational Agencies FY 2017 that resulted in an overstatement of revenue received from the granting agency.

Cause:

Auditor identified an inconsistent or incorrect implementation of internal control to ensure proper recording procedures.

Recommendation:

Auditor recommends grant expenditures to be classified to the proper expense accounts when incurred.

Views of Responsible Officials and Planned Corrective Actions:

See auditee's corrective action plan.

Jackson County School District

EAST CENTRAL ST. MARTIN VANCLEAVE

BARRY AMACKER, Ed.D., SUPERINTENDENT



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826-1757
FAX 826-3393

CORRECTIVE ACTION PLAN

As required by 2 CFR 200.511(a), the Jackson County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2017:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
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2017-001	a. Name of Contact Person Responsible for Corrective Action
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Dr. Susan Benson/Stu White
Phone Number: 228-826-1757

b. Corrective Action Planned

The Federal Program Director will ensure that all Title I expenditures match with the approved MCAPS Budget and the Federal Programs Bookkeeper will balance the funds on a monthly basis. The annual Federal Consolidated application will be done timely.

The Business Office will support the Federal Programs Office and all adjusting journal entries and fund drawdowns will not be done until collaboration between the business manager and federal program director has taken place.

Improvements regarding effective communication between the Business Office and Federal Programs Office will occur and ensure both offices are abreast of any changes being made to the federal programs plan.

c. Anticipated Completion Date

This will start immediately and will be foregoing in the future.

Sincerely,

Barry Amacker, Ed.D.
Superintendent of Education
Jackson County Schools
"Raising the Standard"

Stuart White
Business Manager
Jackson County Schools