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Jackson County, Mississippi

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2018

Fortenberry & Ballard, PC
Certified Public Accountants

Jackson County, Mississippi
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Jackson County Location in Mississippi



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

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FINANCIAL REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Jackson County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Jackson County, Mississippi (the County) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the County'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 did not audit the financial statements of Singing River Health / Mental Retardation Services, Singing River Health System, West Jackson County Utility District, Jackson County Emergency Communications District, Jackson County Port Authority and Jackson-George Regional Library System, which are discretely component units and represent 1%, 65%, 11%, .5%, 22%, and .5%, respectively, of the assets, (2)%, 68%, 7%, 1%, 28% and (2)%, respectively, of the net position, and 2%, 90%, 2%, 1%, 5% and 0%, respectively, of the revenues of the discretely component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these entities, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Jackson County, Mississippi, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedules, the Schedule of Changes in Net OPEB Liability and Related Ratios, the Schedule of County's Contributions - OPEB, the Schedule of the County's Proportionate Share of the Net Pension Liability, and the Schedule of the County's Contributions, and corresponding notes, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Omission of Required Supplementary Information

Jackson County, Mississippi has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jackson County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and Component Units - Combining Statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards and Component Units - Combining Statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the accompanying Schedule of Expenditures of Federal Awards and the Component Units - Combining Statements are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Surety Bonds for County Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2019, on our consideration of the Jackson County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
May 9, 2019

Certified Public Accountants

FINANCIAL STATEMENTS

JACKSON COUNTY, MISSISSIPPI
Statement of Net Position
September 30, 2018

Exhibit 1

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 102,758,061		\$ 102,758,061	\$ 75,808,059
Investments				32,461,470
Restricted assets - cash	6,448,073	297,428	6,745,501	24,660,886
Deposits				2,830
Grants receivable				222,082
Intergovernmental receivables	984,737		984,737	
Receivables, net of allowance				42,709,828
Other receivables	143,389		143,389	790,597
Property tax receivable	79,710,241		79,710,241	
Fines receivable, net	4,517,792		4,517,792	
Inventories and prepaid items	723,678		723,678	9,301,157
Restricted assets - investments	1,001,913		1,001,913	
Trusteed bond funds				10,182,451
Held by trustees for self-insurance funding				3,617,391
Held by trustees for pension funding				8,891,980
Investment in surgery centers				4,167,476
Capital assets:				
Land and construction in progress	30,224,061	199,029	30,423,090	44,500,031
Other capital assets, net of depreciation	235,979,926	7,696,529	243,676,455	272,808,492
Intangible assets				1,906,575
Other assets				1,626,000
Total Assets	462,491,871	8,192,986	470,684,857	533,657,305
Deferred Outflows of Resources				
Deferred outflows related to pension	8,687,027	117,439	8,804,466	975,645
Deferred outflows related to OPEB	948,458		948,458	18,753
Deferred amount on refunding				1,254,057
Total Deferred Outflows of Resources	9,635,485	117,439	9,752,924	2,248,455
Liabilities				
Accounts payable				22,638,768
Claims payable	4,330,732	29,434	4,360,166	
Intergovernmental payables	1,820,710	10	1,820,720	
Amounts held in custody for others	936,167		936,167	
Payroll liabilities				18,579,652
Accrued liabilities				1,521,355
Due to third party payors				5,695,876
Accrued interest payable	329,377		329,377	158
Unearned revenues				9,128,662
Customer deposits				557,575
Long-term liabilities				
Other postemployment benefits payable	3,219,717		3,219,717	
Due within one year:				
Capital debt	3,816,843		3,816,843	9,744,171
Non-capital debt				1,607,144
Pension settlement liability				2,400,000
Due in more than one year:				
Capital debt	30,060,638		30,060,638	140,212,116
Non-capital debt	2,533,406	40,897	2,574,303	12,591,673
Pension settlement liability				69,612,144
Net pension liability	82,320,108	1,112,871	83,432,979	27,980,816
Total Liabilities	129,367,698	1,183,212	130,550,910	322,270,110
Deferred Inflows of Resources				
Deferred inflows related to OPEB	849,981		849,981	30,851
Deferred inflows related to pension	6,519,050	88,130	6,607,180	689,625
Unearned revenue - for future reporting period	2,525,283		2,525,283	
Unavailable revenue - property taxes	79,710,241		79,710,241	
Total Deferred Inflows of Resources	89,604,555	88,130	89,692,685	720,476
Net Position				
Net investment in capital assets	232,326,506	7,895,558	240,222,064	165,921,387
Restricted for:				
Debt service	14,961,117		14,961,117	15,962,433
Capital projects				2,522,740
Public safety	3,525,823	198,027	3,723,850	
Public works	20,182,202		20,182,202	
Health and welfare	65,233		65,233	
Conservation of natural resources	790,717		790,717	
Tort claims	1,001,913		1,001,913	
Economic Development and Assistance	100,098		100,098	
Unemployment compensation	71,466		71,466	15,000
Harbor maintenance				8,089,423
Singing River Regional Facilities Foundation purposes				425,074
Other purposes				23,288
Unrestricted	(19,869,972)	(1,054,502)	(20,924,474)	19,522,838
Total Net Position	\$ 253,155,103	\$ 7,039,083	\$ 260,194,186	\$ 212,482,183

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

JACKSON COUNTY, MISSISSIPPI
Statement of Activities
For the Year Ended September 30, 2018

Exhibit 2

Program Revenues					Net (Expense) Revenue and Changes in Net Position			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities								
General government	\$ 27,641,897	\$ 4,265,164	\$ 558,452		\$ (22,818,281)	\$ -	\$ (22,818,281)	
Public safety	21,714,002	957,175	2,002,406	87,936	(18,666,485)		(18,666,485)	
Public works	27,578,551		1,247,502	1,426,871	(24,904,178)		(24,904,178)	
Health and welfare	2,848,454		140,350		(2,708,104)		(2,708,104)	
Culture and recreation	4,117,985		28,554	25,000	(4,064,431)		(4,064,431)	
Education	342,035				(342,035)		(342,035)	
Conservation of natural resources	264,203		14,872		(249,331)		(249,331)	
Economic development and assistance	2,357,513			823,629	(1,533,884)		(1,533,884)	
Interest on long-term debt	1,306,377				(1,306,377)		(1,306,377)	
OPEB expense	351,463				(351,463)		(351,463)	
Pension expense	11,119,335				(11,119,335)		(11,119,335)	
Total Governmental Activities	99,641,815	5,222,339	3,992,136	2,363,436	(88,063,904)		(88,063,904)	
Business-type activities								
Adult detention center canteen fund	34,775	56,025				21,250	-	
Harbor	526,139	259,801				(266,338)	-	
Golf Course	973,787	581,749				(392,038)	-	
Pension expense	150,320					(150,320)	-	
Total Business-type Activities	1,685,021	897,575	-	-		(787,446)	-	
Total Primary Government	\$ 101,326,836	\$ 6,119,914	\$ 3,992,136	\$ 2,363,436	\$ (88,063,904)	\$ (787,446)	\$ (88,851,350)	
Component units:								
Singing River Health System	89,780,250	355,302,617						\$ 265,522,367
Jackson County Port Authority	24,069,957	15,185,879	4,814,098					(4,069,980)
West Jackson County Utility District	6,738,701	8,855,629						2,116,928
Singing River Mental Health-Mental Retardation Service	8,205,959	5,609,239	2,008,394					(588,326)
Jackson-George Regional Library System	4,681,518	133,562	824,490					(3,723,466)
Jackson County Emergency Communications District	1,454,185	1,418,690						(35,495)
	134,930,570	386,505,616	7,646,982	-				259,222,028
General revenues:								
Property taxes					81,669,295		81,669,295	3,209,928
Road & bridge privilege taxes					1,996,189		1,996,189	
Grants not restricted to specific programs					12,900,701		12,900,701	457,449
Unrestricted interest income					2,301,359	7,544	2,308,903	(3,316,752)
Miscellaneous					4,433,535	11,819	4,445,354	585,110
Gain (loss) on disposal of assets								(7,064)
Transfers					(900,000)	900,000	-	1,228,655
Total General Revenues and Transfers					102,401,079	919,363	103,320,442	2,157,326
Change in Net Position					14,337,175	131,917	14,469,092	261,379,354
Net Position - Beginning, as previously reported					237,225,101	6,910,091	244,135,192	(48,456,943)
Prior period adjustments					1,592,827	(2,925)	1,589,902	(440,228)
Net Position - Beginning, as restated					238,817,928	6,907,166	245,725,094	(48,897,171)
Net Position - Ending					\$ 253,155,103	\$ 7,039,083	\$ 260,194,186	\$ 212,482,183

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

JACKSON COUNTY, MISSISSIPPI
Balance Sheet - Governmental Funds
September 30, 2018

Exhibit 3

	Major Funds		Other	Total
	General	Road	Governmental	Governmental
	Fund	Fund	Funds	Funds
Assets				
Assets:				
Cash and cash equivalents	\$ 48,670,432	\$ 13,754,756	\$ 36,610,791	\$ 99,035,979
Restricted assets - cash	6,448,073			6,448,073
Property tax receivable	50,828,362	17,049,899	11,831,980	79,710,241
Fines receivable (net of allowance for uncollectible of \$19,282,035)	4,517,792			4,517,792
Intergovernmental receivables	869,851	62,146	52,740	984,737
Other receivables	143,389			143,389
Due from other funds	650,822	257,669	100,437	1,008,928
Advances to other funds	6,558,855			6,558,855
Restricted assets - investments	1,001,913			1,001,913
Total Assets	<u>\$ 119,689,489</u>	<u>\$ 31,124,470</u>	<u>\$ 48,595,948</u>	<u>\$ 199,409,907</u>
Liabilities, Deferred Inflows and Fund Balances				
Liabilities:				
Claims payable	\$ 2,588,423	\$ 554,505	\$ 865,647	\$ 4,008,575
Intergovernmental payables	1,695,367		1,565	1,696,932
Amounts held in custody for others	936,167			936,167
Due to other funds	480,342		650,822	1,131,164
Advances from other funds			6,558,855	6,558,855
Total Liabilities	<u>5,700,299</u>	<u>554,505</u>	<u>8,076,889</u>	<u>14,331,693</u>
Deferred Inflows of Resources:				
Unavailable revenue - property taxes	50,828,362	17,049,899	11,831,980	79,710,241
Unavailable revenue - unearned revenue			2,525,283	2,525,283
Unavailable revenue - fines	4,517,792			4,517,792
Total Deferred Inflows of Resources	<u>55,346,154</u>	<u>17,049,899</u>	<u>14,357,263</u>	<u>86,753,316</u>
Fund Balances:				
Nonspendable				
Advances	6,558,855			6,558,855
Restricted for:				
Debt service			15,290,494	15,290,494
Public safety			3,525,823	3,525,823
Public works		13,520,066	6,662,136	20,182,202
Health and welfare			65,233	65,233
Conservation of natural resources			790,717	790,717
Economic development and assistance			100,098	100,098
Tort claims	1,001,913			1,001,913
Unemployment compensation			71,466	71,466
Committed to:				
Trust agreement	6,448,073			6,448,073
Unassigned	44,634,195		(344,171)	44,290,024
Total Fund Balances	<u>58,643,036</u>	<u>13,520,066</u>	<u>26,161,796</u>	<u>98,324,898</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 119,689,489</u>	<u>\$ 31,124,470</u>	<u>\$ 48,595,948</u>	<u>\$ 199,409,907</u>

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

JACKSON COUNTY, MISSISSIPPI

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
September 30, 2018

Exhibit 3-1

Total fund balances for governmental funds \$ 98,324,898

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

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds. 266,203,987

Other long-term assets are not available to pay current period expenditures
and therefore are not reported in the funds 4,517,792

Deferred outflows of resources related to pension reported in governmental
activities is not a financial resource and therefore is not reported
in the funds. 8,687,027

Deferred outflows of resources related to OPEB reported in governmental
activities is not a financial resource and therefore is not reported
in the funds. 948,458

Prepaid items, such as prepaid insurance, are accounted for as expenditures in the
period of acquisition and, therefore, are not reported in the funds. 723,678

Long-term liabilities, net pension liability and related accrued interest are not due and
payable in the current period and therefore are not reported in the funds (119,060,372)

Other postemployment benefits are not due and payable in the current period and
therefore are not reported in the funds. (3,219,717)

Deferred inflows of resources related to pension are not due and payable
in the current period and therefore are not reported in the funds. (6,519,050)

Deferred inflows of resources related to OPEB are not due and payable
in the current period and therefore are not reported in the funds. (849,981)

Internal Service Funds are used by management to charge the costs of insurance
to individual funds. The assets and liabilities of the Internal Service Funds are
included in governmental activities in the statement of net position. 3,398,383

Net position of governmental activities \$ 253,155,103

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

JACKSON COUNTY, MISSISSIPPI**Exhibit 4**Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2018

	Major Funds		Other	
	General	Road	Governmental	Total
	Fund	Fund	Funds	
Revenues				
Property taxes	\$ 53,860,351	\$ 15,678,470	\$ 12,130,474	\$ 81,669,295
Road and bridge privilege taxes		1,996,189		1,996,189
Licenses, commissions, and other revenues	2,588,102			2,588,102
Fines and forfeitures	1,486,541		240,079	1,726,620
Intergovernmental revenues	11,750,660	2,482,236	5,023,377	19,256,273
Charges for services	818,658			818,658
Interest income	1,552,824	334,310	414,225	2,301,359
Miscellaneous revenues	1,368,425	522,753	1,947,009	3,838,187
Total Revenues	<u>73,425,561</u>	<u>21,013,958</u>	<u>19,755,164</u>	<u>114,194,683</u>
Expenditures				
Current:				
General government	27,613,922		177,990	27,791,912
Public safety	18,169,778		5,792,990	23,962,768
Public works	1,719,497	21,241,572	12,322,883	35,283,952
Health and welfare	2,649,993		145,198	2,795,191
Culture and recreation	4,758,644		127,899	4,886,543
Education	342,035			342,035
Conservation of natural resources	276,521			276,521
Economic development and assistance	2,487,425		67,574	2,554,999
Debt service:				
Principal	1,210,000		2,332,177	3,542,177
Interest and other fiscal charges	892,077		179,179	1,071,256
Total Expenditures	<u>60,119,892</u>	<u>21,241,572</u>	<u>21,145,890</u>	<u>102,507,354</u>
Excess (Deficiency) of Revenues over (under)				
Expenditures	<u>13,305,669</u>	<u>(227,614)</u>	<u>(1,390,726)</u>	<u>11,687,329</u>
Other Financing Sources (Uses)				
Proceeds from debt			6,065,000	6,065,000
Proceeds from sale of capital assets	74,493	13,104	22,544	110,141
Compensation for loss of capital assets	4,275		41,331	45,606
Transfers in	66,482	2,107,969	1,113,403	3,287,854
Transfers out	(2,163,664)		(2,024,190)	(4,187,854)
Net Other Financing Sources (Uses)	<u>(2,018,414)</u>	<u>2,121,073</u>	<u>5,218,088</u>	<u>5,320,747</u>
Net Change in Fund Balances	<u>11,287,255</u>	<u>1,893,459</u>	<u>3,827,362</u>	<u>17,008,076</u>
Fund Balances - Beginning, as previously reported	47,355,781	11,626,607	22,522,309	81,504,697
Prior period adjustments			(187,875)	(187,875)
Fund Balances - Beginning, as restated	<u>47,355,781</u>	<u>11,626,607</u>	<u>22,334,434</u>	<u>81,316,822</u>
Fund Balances - Ending	<u>\$ 58,643,036</u>	<u>\$ 13,520,066</u>	<u>\$ 26,161,796</u>	<u>\$ 98,324,898</u>

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

JACKSON COUNTY, MISSISSIPPI**Exhibit 4-1**

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2018

Net change in fund balances - total governmental funds \$ 17,008,076

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays \$16,438,755 exceeded depreciation expense of \$9,887,248 6,551,507

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net income of the internal service funds is reported with governmental activities. 596,677

In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss of \$350,792 less the proceeds from the sale of \$110,141 in the current period. (240,651)

Fine revenue recognized on the modified accrual basis in the funds during the current year is increased because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting. 88,959

Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$3,542,177 did not exceed the debt proceeds of \$6,065,000. (2,522,823)

Some items reported in the Statement of Activities relating to GASB 68 are not reported in the governmental funds. These activities include:
Recording of pension expense for the current period (11,119,335)
Recording retirement contributions made during the fiscal year:
Before the measurement date 3,687,015
Subsequent to the measurement date 1,328,711

Some items reported in the Statement of Activities relating to GASB 75 are not reported in the governmental funds. These activities include:
Recording of OPEB expense for the current period (351,463)

Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:
Increase in compensated absences (108,147)
Increase in other post employment benefits payable (449,940)
Increase in accrued interest payable (69,679)
Increase in prepaid and inventories 103,710
Amortization of bond discount (8,572)
Amortization of deferred amount on refunding (156,870)

Change in net position of governmental activities \$ 14,337,175

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

JACKSON COUNTY, MISSISSIPPI
Statement of Net Position - Proprietary Funds
September 30, 2018

Exhibit 5

	Business-type Activities Enterprise Funds	Internal Service Fund
	Non-major Fund	
Assets		
Current assets:		
Cash	\$ -	\$ 3,722,082
Restricted Cash	297,428	
Total Current Assets	297,428	3,722,082
Noncurrent assets:		
Capital assets:		
Land and construction in progress	199,029	
Other capital assets, net	7,696,529	
Total Noncurrent Assets	7,895,558	-
Total Assets	8,192,986	3,722,082
Deferred Outflows of Resources		
Deferred outflows related to pension	117,439	
Total Deferred Outflows of Resources	117,439	-
Liabilities		
Current liabilities:		
Claims payable	29,434	322,157
Intergovernmental Payables	10	1,542
Total Current Liabilities	29,444	323,699
Noncurrent liabilities:		
Non-capital debt:		
Compensated absences payable	40,897	
Net Pension Liability	1,112,871	
Total Noncurrent Liabilities	1,153,768	-
Total Liabilities	1,183,212	323,699
Deferred Inflows of Resources		
Deferred inflows related to pension	88,130	
Total Deferred Inflows of Resources	88,130	-
Net Position		
Net investment in capital assets	7,895,558	-
Restricted for:		
Public Safety	198,027	
Unrestricted	(1,054,502)	3,398,383
Total Net Position	\$ 7,039,083	\$ 3,398,383

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

JACKSON COUNTY, MISSISSIPPI**Exhibit 6**

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds
For the Year Ended September 30, 2018

	Business-type Activities - Enterprise Funds	
	Non-major Fund	Internal Service Fund
Operating Revenues		
Sales and Charges for services	\$ 897,575	\$ -
Premiums		9,105,225
Miscellaneous	11,819	451,299
Total Operating Revenues	<u>909,394</u>	<u>9,556,524</u>
Operating Expenses		
Personal services	731,767	
Contractual services	214,406	
Materials and supplies	350,707	
Depreciation expense	388,141	
Claims payments		6,358,107
Administrative		2,683,524
Total Operating Expenses	<u>1,685,021</u>	<u>9,041,631</u>
Operating Income (Loss)	<u>(775,627)</u>	<u>514,893</u>
Nonoperating Revenues		
Interest income	7,544	81,784
Total Nonoperating Revenues	<u>7,544</u>	<u>81,784</u>
Net Income (Loss) Before Transfers	<u>(768,083)</u>	<u>596,677</u>
Transfers In	900,000	
Change in Net Position	<u>131,917</u>	<u>596,677</u>
Net Position - Beginning, as previously reported	6,910,091	2,801,706
Prior period adjustments	(2,925)	
Net Position - Beginning, as restated	<u>6,907,166</u>	<u>2,801,706</u>
Net Position - Ending	<u>\$ 7,039,083</u>	<u>\$ 3,398,383</u>

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

JACKSON COUNTY, MISSISSIPPI
Statement of Cash Flows - Proprietary Funds
For the Year Ended September 30, 2018

Exhibit 7

	Business-type Activities - Enterprise Funds	
	Non-major Funds	Internal Service Fund
Cash Flows From Operating Activities		
Cash receipts from customers	\$ 897,575	
Cash receipts/premiums from customers		9,105,225
Cash payments to employees for services	(712,660)	(6,358,107)
Cash payments for claims and benefits	(661,130)	(2,795,417)
Other operating cash receipts	11,884	451,299
Net Cash Provided by (Used for) Operating Activities	(464,331)	403,000
Cash Flows From Noncapital Financing Activities		
Transfers in	900,000	-
Net Cash Provided by (Used for) Noncapital Financing Activities	900,000	-
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(881,080)	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	(881,080)	-
Cash Flows From Investing Activities		
Investment income	7,544	81,784
Net Cash Provided by (Used for) Investment Activities	7,544	81,784
Net Change in Cash and Cash Equivalents	(437,867)	484,784
Cash and Cash Equivalents - Beginning	735,295	3,237,298
Cash and Cash Equivalents - Ending	\$ 297,428	\$ 3,722,082
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities		
Operating income (loss)	\$ (775,627)	\$ 514,893
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	388,141	-
Change in assets, liabilities, deferred outflows of resources and deferred inflows of resources:		
Deferred outflow related to pension	77,952	-
Claims payable	(78,394)	(113,435)
Intergovernmental Payables		1,542
Net Pension Liability	(69,545)	-
Compensated absences payable	7,755	-
Deferred inflow - Pensions	(14,613)	-
Total adjustments	311,296	(111,893)
Net Cash Provided by (Used for) Operating Activities	\$ (464,331)	\$ 403,000

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

JACKSON COUNTY, MISSISSIPPI
Statement of Fiduciary Assets and Liabilities
September 30, 2018

Exhibit 8

	Agency Funds
Assets	
Cash	\$ 3,507,106
Due from other funds	122,236
Total Assets	<u> 3,629,342</u>
Liabilities	
Intergovernmental payables	3,629,342
Total Liabilities	<u><u> \$ 3,629,342</u></u>

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

Jackson County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2018

JACKSON COUNTY, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2018

Note 1 – Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

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

B. Individual Component Unit Disclosures

Discretely Presented Component Units

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

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

Singing River Mental Health / Mental Retardation Services ("The Agency") established by Section 41-19-31, Miss. Code Ann. (1972) authorizes the Agency to establish facilities within which to operate and maintain programs to serve the mentally ill and mentally

JACKSON COUNTY, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2018

retarded patients in Jackson County and George County. The Agency is governed by a two-member Board of Commissioners with each county Board of Supervisors appointing one member. Each of these Commissioners sits on the fifteen-member Board of Directors for the Agency which manages the day-to-day operations of the Agency.

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

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

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

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

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

JACKSON COUNTY, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2018

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

C. Basis of Presentation

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

Government-wide Financial Statements:

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

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

Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows, liabilities, deferred inflows, fund balances, revenues and expenditures/expenses. Funds are organized

JACKSON COUNTY, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2018

into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

D. Measurement Focus and Basis of Accounting

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the County. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

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

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

The County reports the following major governmental funds:

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

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

JACKSON COUNTY, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2018

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

PROPRIETARY FUND TYPES

Enterprise Funds – These funds are used to account for operations where the intent of the County is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where periodic measurement of the results of operations is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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

FIDUCIARY FUND TYPES

Agency Funds – These funds accounts for receipt of various taxes, deposits and other monies collected or held by the County, in a purely custodial capacity, until distributed to other governmental units or designated beneficiaries.

E. Account Classifications

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

JACKSON COUNTY, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2018

F. Deposits and Investments

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

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value.

G. Receivables

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

H. Interfund Transactions and Balances

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

I. Inventories and Prepaid Items

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

J. Restricted Assets

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

JACKSON COUNTY, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2018

K. Capital Assets

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

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

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

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

*Leased property is capitalized and depreciated in accordance with the policy applicable to each asset.

JACKSON COUNTY, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2018

L. Deferred Outflows/Inflows of Resources

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

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

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

Deferred outflows related to OPEB – This amount represents the County's proportionate share of the deferred outflows of resources reported by the OPEB plan in which the County participates. See Note 10 for additional details.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of 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.

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

Unavailable revenue – unearned revenue – Deferred inflows of resources should be reported when resources associated with grant funds are received but not spent.

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

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

Deferred inflows related to OPEB – This amount represents the County's proportionate share

JACKSON COUNTY, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2018

of the deferred inflows of resources reported by the OPEB plan in which the County participates. See Note 10 for additional details.

M. Pensions

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

N. Long-term Debt

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

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

O. Equity Classifications

Government-wide Financial Statements:

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

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

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

Unrestricted net position - All other net position not meeting the definition of "restricted" or "net investment in capital assets."

JACKSON COUNTY, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2018

Net Position Flow Assumption:

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

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the County:

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

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

Committed fund balance includes amounts that can be used only for specific purposes pursuant to constraints imposed by a formal action of the Board of Supervisors, the County's highest level of decision-making authority. This formal action is an order of the Board of Supervisors as approved in the board minutes.

Assigned fund balance includes amounts that are constrained by the County's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the General Fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed. Assignments of fund balance are created by the Board of Supervisors pursuant to authorization established by Section 19-3-59, Miss. Code Ann. (1972). Currently, there is no assigned fund balance.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The

JACKSON COUNTY, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2018

General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

Fund Balance Flow Assumption:

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

P. Property Tax Revenues

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

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

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

Q. Intergovernmental Revenues in Governmental Funds

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

JACKSON COUNTY, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2018

compliance with these requirements.

R. Compensated Absences

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

S. Changes in Accounting Standards

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The provision of this standard has been incorporated into the financial statements and notes.

Note 2 – Prior Period Adjustments

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

Exhibit 2 - Statement of Activities:

	Governmental Activities	Business-type Activities
To correct balances in unavailable revenue (GOMESA)	\$ (187,875)	
Net effect of prior year errors in recording revenues and expenses	361,221	\$ (75)
Implementation of GASB 75	(495,275)	
To correct balances in capital assets.	1,914,756	(2,850)
Total Adjustments	<u>\$ 1,592,827</u>	<u>\$ (2,925)</u>

Exhibit 4 - Statement of Revenues, Expenses and Changes in Fund Balances:

Fund	Explanation	Amount
Other Governmental Funds	To correct balances in unearned revenue.	<u>\$ (187,875)</u>

JACKSON COUNTY, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2018

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

	<i>Amount</i>
Net effect of prior year errors in recording revenues and expenses	\$ (75)
To correct balances in capital assets	(2,850)
	<hr/>
Total Adjustments	\$ (2,925)
	<hr/>

Note 3 – Deposits and Investments

Deposits

The carrying amount of the County's total deposits with financial institutions at September 30, 2018, was \$113,010,668 and the bank balance was \$106,164,812. The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

Investments

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

As of September 30, 2018, investment balances and maturities for the Jackson County Tort Claims Trust are as follows:

JACKSON COUNTY, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2018

Investment Type	<1 year	1-5 years	6-10 years	>10 years	Fair Value	Rating
GNMA Pools	\$ -	\$ 1,179	\$ 56,667	\$ 24,966	\$ 82,812	AAA
U.S. Treasury Notes	159,462	734,905	24,734		919,101	AAA
	<u>\$ 159,462</u>	<u>\$ 736,084</u>	<u>\$ 81,401</u>	<u>\$ 24,966</u>	<u>\$ 1,001,913</u>	

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

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

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

Note 4 – Interfund Transactions and Balances

At September 30, 2018, interfund receivables and interfund payables consisted of:

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 650,822
Road Fund	General Fund	257,669
Other Governmental Funds	General Fund	100,437
Agency Funds	General Fund	122,236
Total		<u>\$ 1,131,164</u>

The receivables represent the tax revenue collected, but not settled until October 2018 and capital projects. All interfund balances are expected to be repaid within one year from the date of the financial statements.

At September 30, 2018, interfund advances receivable and interfund advances payable consisted of:

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 6,558,855
Total		<u>\$ 6,558,855</u>

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

JACKSON COUNTY, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2018

grant receipts.

At September 30, 2018, Transfers In/Out consisted of:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 66,482
Road Fund	General Fund	500,261
Road Fund	Other Governmental Funds	1,607,708
Other Governmental Funds	General Fund	763,403
Other Governmental Funds	Other Governmental Funds	350,000
Proprietary Funds	General Fund	900,000
Total		<u><u>\$ 4,187,854</u></u>

Note 5 – Intergovernmental Receivables

At September 30, 2018, Intergovernmental receivables consisted of:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative Tag Credit	\$ 777,108
EMPG Grant	92,743
CDBG Grant	40,911
MDOT Grant	62,146
Operation Stonegarden Grant	11,829
Total	<u><u>\$ 984,737</u></u>

Note 6 – Loans Receivable

At September 30, 2018, loans receivable consisted of:

<u>Description</u>	<u>Date of Inception</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
Sandco Industries*	10/01/1991	4.00%	11/04/2004	\$ 50,000
Bayou Blend*	09/22/1994	4.00%	09/01/1999	86,254
Total				<u>136,254</u>
Less: Allowance for doubtful accounts*				<u>(136,254)</u>
Total (Net of allowance for doubtful accounts)				<u><u>\$ -</u></u>

*Wrote off items.

JACKSON COUNTY, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2018

Note 7 – Restricted Assets

At September 30, 2018, restricted assets consisted of:

	Governmental Activities	Business-type Activities
MS Tort Claims Trust (investments)	\$ 1,001,913	\$ -
ADC Canteen (cash)	-	195,523
Golf Course (cash)	-	25,340
Ocean Springs Harbor (cash)	-	76,565
	<u>\$ 1,001,913</u>	<u>\$ 297,428</u>

JACKSON COUNTY, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2018

Note 8 – Capital Assets

Capital asset activity for the year ended September 30, 2018, was as follows:

Governmental Activities:

	Beginning Balance	Acquisitions	Dispositions	Adjustments	Ending Balance
Capital assets not being depreciated:					
Land	\$ 15,394,601				\$ 15,394,601
Construction in progress	13,559,105	7,976,279		(6,705,924)	14,829,460
Total capital assets not being depreciated	28,953,706	7,976,279	-	(6,705,924)	30,224,061
Capital assets being depreciated:					
Buildings	114,691,031			1,937,173	116,628,204
Improvements other than buildings	19,316,742	3,756,819		5,430,778	28,504,339
Mobile equipment	34,704,978	3,652,167	952,163	11,778	37,416,760
Furniture & equipment	6,903,151	800,425	141,802	(26,685)	7,535,089
Infrastructure	210,214,501	253,065		1,294,721	211,762,287
Total capital assets being depreciated	385,830,403	8,462,476	1,093,965	8,647,765	401,846,679
Less accumulated depreciated for:					
Buildings	24,923,618	2,144,021		(20,034)	27,047,605
Improvements other than buildings	4,404,293	1,097,180		13,090	5,514,563
Mobile equipment	20,599,760	2,857,164	717,464	34,029	22,773,489
Furniture & equipment	5,183,956	612,352	135,850		5,660,458
Infrastructure	101,694,107	3,176,531			104,870,638
Total accumulated depreciation	156,805,734	9,887,248	853,314	27,085	165,866,753
Total capital assets being depreciated, net	229,024,669	(1,424,772)	240,651	8,620,680	235,979,926
Governmental activities capital assets, net	\$ 257,978,375	\$ 6,551,507	\$ 240,651	\$ 1,914,756	\$ 266,203,987

Depreciation expense was charged to the following functions:

Governmental Activities:

General government	\$ 1,445,920
Public safety	2,333,285
Public works	5,408,402
Health and welfare	211,643
Culture and recreation	404,847
Economic development and assistance	83,151
Total depreciation expense	<u>\$ 9,887,248</u>

JACKSON COUNTY, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2018

Business-type Activities:

	Beginning Balance	Acquisitions	Dispositions	Adjustments*	Ending Balance
Capital assets not being depreciated:					
Land	\$ 199,029	\$ -	\$ -	\$ -	\$ 199,029
Construction in progress	620,190	750,057		(1,370,247)	-
Total capital assets not being depreciated	819,219	750,057	-	(1,370,247)	199,029
Capital assets being depreciated:					
Buildings				1,370,247	1,370,247
Improvements other than buildings	7,660,033				7,660,033
Mobile equipment	359,594	109,224			468,818
Furniture & equipment	139,161	21,799	6,511	21,415	175,864
Total capital assets being depreciated	8,158,788	131,023	6,511	1,391,662	9,674,962
Less accumulated depreciated for:					
Buildings		27,406			27,406
Improvements other than buildings	1,225,616	306,404			1,532,020
Mobile equipment	244,033	50,405		3,331	297,769
Furniture & equipment	102,824	3,926	6,446	20,934	121,238
Total accumulated depreciation	1,572,473	388,141	6,446	24,265	1,978,433
Total capital assets being depreciated, net	6,586,315	(257,118)	65	1,367,397	7,696,529
Business-type activities capital assets, net	<u>\$ 7,405,534</u>	<u>\$ 492,939</u>	<u>\$ 65</u>	<u>\$ (2,850)</u>	<u>\$ 7,895,558</u>

*Adjustments are to transfer completed projects and to adjust capital asset records.

Business-type Activities:

Harbor	\$ 360,735
Golf Course	<u>27,406</u>
Total depreciation expense	<u>\$ 388,141</u>

JACKSON COUNTY, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2018

Commitments with respect to unfinished projects as of September 30, 2018, consisted of the following:

Augusta Road	\$	2,000	10/31/2018
Barge Landing Boat Ramp (2016-10-394)	\$	1,200	10/31/2018
Bayou Talla (2017-03-416)	\$	425,000	9/30/2019
Beachview Drive Drainage***	\$	200,000	12/31/2019
Belle Fountain Beach Jetty	\$	500	10/5/2018
Belle Fontaine Drive (Hurricane Nate) 2017-11-463	\$	43,739	10/5/2018
Caraway Road Improvements (2016-01-357)	\$	80,000	12/1/2019
Clamshell Avenue Drainage	\$	500,000	9/30/2019
Ellis Hamilton Road Phase II (2017-11-461)	\$	300,000	9/30/2019
Fab Lab Parking (2018-01-468)	\$	400	10/5/2018
Farm Road (2017-11-465)	\$	1,000	12/1/2019
Feasibility Study McCann Road Extension (STP-7757-00(001)	\$	3,165	10/31/2018
Fieldworth Road Drainage (2018-04-484)	\$	32,000	1/30/2019
Goffville Road Bridge (2016-01-358)	\$	175,000	6/30/2019
Gorenflo Road (2015-03-300)	\$	15,000	12/31/2019
Graveline Bridge (STP-BR-9191 (1)B)	\$	500,000	9/30/2019
Hanover Drive Drainage	\$	175,000	4/30/2019
Hanover Drive/Oakleigh Circle Drainage Proj (2015-03-299)	\$	400,000	12/31/2019
Holder Road Bridge SA30-0177 (2018-04-481)	\$	200,000	9/30/2019
Hunt Road Project (2018-04-482)	\$	45,000	6/30/2019
Hwy SR609&Old Fort Bayou Rd (STP-9385-00(015))LPA/106888-701000	\$	500,000	9/30/2019
I-10 Connector Road (2013-03-159)	\$	7,500,000	9/30/2019
Islewood Street	\$	21,505	10/4/2018
Juniper Road Bridge #537	\$	280,000	6/30/2019
Lemoyne Blvd Drainage (2015-02-293)	\$	20,000	9/30/2019
Lemoyne Blvd - McCann Rd	\$	85,000	9/30/2019
Martin Bluff Road Bridge Replacement (2012-05-110)	\$	637,000	9/30/2019
Ocean Springs - Vancleave Road (STP-9065-(2)B)	\$	1,300,000	12/31/2019
Ocean Springs Front Beach Erosion Assessment & Restoration	\$	175,000	9/30/2019
Old Biloxi Road (SAP-30(27))	\$	170,000	9/30/2019
Old Fort Bayou Bridge (SA73) (2017-02-410)	\$	223,000	1/1/2019
Old Fort Bayou Bridge (SA74) (2017-02-411)	\$	135,000	2/1/2019
Old Fort Bayou Impr. from Rose Farm (2017-04-420)	\$	3,800,000	9/30/2019
Old Spanish Trail (Sidewalk Proj) (STP-9064-00 (11)) #2015-12-353	\$	500	10/10/2018
Old Spanish Trail from Hamill Farm to Belle Fountain	\$	250,000	2/1/2019
Old Walnut Phase II (2015-07-332)	\$	450,000	9/30/2019
Poticaw/Johns Bayou Rd Realign (2017-03-414)	\$	500,000	9/30/2019
St Andrew Golf Course East Side	\$	200	10/4/2018

JACKSON COUNTY, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2018

St Andrew West Drainage	\$	250,000	9/30/2019
Shelby Lane (2013-08-333)	\$	75,000	12/31/2019
Sheriff Parking Lot (2018-05-487)	\$	200	10/10/2018
Shooting Range Facility (2016-11-400)	\$	100,000	9/30/2019
Solomon Rd Bridge #536	\$	250,000	9/30/2019
Spring Lake Dam Improvements	\$	125,000	4/30/2019
Taconi Paving Prep (2017-12-466)	\$	1,000	10/31/2018
West Neck Road	\$	25,000	6/30/2019
Wire Road Phase II	\$	41,000	1/1/2018
Yellow Jacket Road Sidewalks Proj (BSTP-0030-00(039) LPA/107508-701000	\$	300,000	9/30/2019
St Martin Soccer (Concession and Restroom Facility)	\$	120,535	2/28/2019
Northrup Grumman Unmanned Systems CTR (001-679-911)	\$	123,135	11/31/2018

Note 9 – Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description. Jackson County, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. 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 State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

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

JACKSON COUNTY, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2018

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

Contributions. At September 30, 2018, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2018 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2018, 2017 and 2016 were \$5,083,533, \$4,969,910 and \$4,986,616, respectively, equal to the required contributions for each year.

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

At September 30, 2018, the County reported a liability of \$82,320,108 in the Governmental Activities and \$1,112,871 in the Business Type Activities for its proportionate share of the net pension liabilities. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The County's proportionate share used to calculate the September 30, 2018 net pension liability was 0.501612 percent, which was based on a measurement date of June 30, 2018. This was an increase of 0.01176 percent from its proportionate share used to calculate the September 30, 2017 net pension liability, which was based on a measurement date of June 30, 2017.

For the year ended September 30, 2018, the Governmental Activities and the Business Type Activities recognized pension expense of \$11,119,335 and \$150,320 respectively. At September 30, 2018, the Governmental Activities and the Business Type Activities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

JACKSON COUNTY, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2018

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Governmental Activities:		
Differences between expected and actual experience	\$ 345,144	\$ 338,884
Changes of assumptions	47,433	42,934
Net difference between projected and actual earnings on pension plan investments	4,350,868	6,137,232
Changes in the County's proportion and differences between the County's contributions and proportionate share of contributions	2,614,871	
County contributions subsequent to the measurement date	<u>1,328,711</u>	
Total	<u>\$ 8,687,027</u>	<u>\$ 6,519,050</u>
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Business Type Activities:		
Differences between expected and actual experience	\$ 4,666	\$ 4,582
Changes of assumptions	641	580
Net difference between projected and actual earnings on pension plan investments	58,819	82,968
Changes in the County's proportion and differences between the County's contributions and proportionate share of contributions	35,350	
County contributions subsequent to the measurement date	<u>17,963</u>	
Total	<u>\$ 117,439</u>	<u>\$ 88,130</u>

Deferred outflows of resources reported in the Governmental Activities, in the amount of \$1,328,711, and Business Type Activities, in the amount of \$17,963 are related to pensions resulting from County contributions subsequent to the measurement date. These will be recognized as a reduction of the net pension liability in the year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

JACKSON COUNTY, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2018

Year ending September 30:

2019	\$ 2,162,909
2020	549,698
2021	(1,486,790)
2022	(375,205)
	<u>\$ 850,612</u>

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

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

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	27.00%	4.60%
International Equity	18.00	4.50
Emerging Markets Equity	4.00	4.75
Global	12.00	4.75
Fixed Income	18.00	.75
Real Estate	10.00	3.50
Private Equity	8.00	5.10
Emerging Debt	2.00	2.25
Cash	1.00	0.00
Total	<u>100.00%</u>	

JACKSON COUNTY, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2018

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

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

	<u>1% Decrease</u> <u>(6.75%)</u>	<u>Discount Rate</u> <u>(7.75%)</u>	<u>1% Increase</u> <u>(8.75%)</u>
County's proportionate share of the net pension liability	\$ 109,857,292	\$ 83,432,979	\$ 61,470,885

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

Note 10 – Other Postemployment Benefits (OPEB)

Plan Description

The Jackson County Board of Supervisors (the Board) administers the County's health insurance plan which is authorized by Sections 25-15-101 et seq., Mississippi Code Ann. (1972) and may be amended only by the Board. The County purchases health insurance coverage from a commercial insurance company and offers the benefit of health insurance coverage through the County's health insurance plan (the Plan). Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a postemployment healthcare benefit reportable under GASB Statement 75 as a single-employer defined benefit healthcare plan. Effective October 1, 2017, the County implemented GASB Statement 75, which requires reporting on an accrual basis the liability associated with other postemployment benefits as well as any related Deferred Outflows and Inflows. The County does not issue a publicly available financial report for the Plan.

Funding Policy

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

JACKSON COUNTY, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2018

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

Per Section 25-15-103, Mississippi Code Ann. (1972), any retired employee electing to purchase retiree health insurance must pay the full cost of the insurance premium monthly to the County. For the year ended September 30, 2018, retiree monthly premiums range from \$799 to \$1,049 depending on dependent coverage and Medicare eligibility.

Changes in Total OPEB Liability

The County's OPEB liability of \$3,219,717 was measured as of September 30, 2018, and was determined by an actuarial valuation date of October 1, 2018.

The total OPEB liability in the September 30, 2018 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary Increases	2.00% per annum
Discount rate	3.40% per annum for Statement 75, based on the S&P Municipal Bond 20-Year High Grade Index of September 28, 2018
Healthcare cost trend rates	7.75% in 2018, grading down to 6.75% uniformly over 5 years, and trending to the ultimate rate of 3.9% in 2075 following the Getzen model

Balance at September 30, 2017, as originally reported	\$ 2,274,502
Prior Period Adjustment	495,275
Balance at September 30, 2017, as restated	<u>2,769,777</u>
Changes for the year:	
Service cost	272,457
Interest	102,250
Benefit changes	-
Experience losses (gains)	(950,451)
Changes of assumptions	1,060,569
Benefits paid	<u>(34,885)</u>
Net change	<u>449,940</u>
Balance at September 30, 2018	<u><u>\$ 3,219,717</u></u>

JACKSON COUNTY, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2018

Changes in Assumptions

The actuarial assumptions used in the October 1, 2018 valuation have been prepared using employee data and plan documentation furnished by the County as of October 1, 2018.

The discount rate is 3.40% based on the S&P Municipal Bond 20 Year High Grade Rate Index as of September 30, 2018, compared to the prior Statement No. 74 discount rate of 2.98%.

Mortality was updated from table RP-2014 adjusted to 2006 and projected using scale MP-2015 to table RP-2014 adjusted to 2006 and projected using scale MP-2018.

Assumed medical trend was reset to 7.75% in 2018, grading down to 6.75% uniformly over 5 years, and trending to the ultimate rate of 3.9% in 2075 following the Getzen model.

Medical claims costs below age 65 are adjusted down based on the Male/Female and Pre-Medicare factors as listed in the Yamamoto Aging Tables.

Sensitivity of the total OPEB liability to changes in the discount rate

The following represents the net OEPB liability calculated using the stated discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Rate	1% Increase
Net OPEB Liability	2.40%	3.40%	4.40%
September 30, 2018	\$ 3,555,911	\$ 3,219,717	\$ 2,914,646

Sensitivity of the total OPEB liability to changes in the medical trend rate

The following represents the net OEPB liability calculated using the stated salary trend assumption, as well as what the net OPEB liability would be if it were calculated using a salary trend rate that is 1-percentage-point lower or 1-percentage-point higher than the assumed trend rate:

	1% Decrease in Trend Assumption	Current in Trend Assumption	1% Increase in Trend Assumption
Net OPEB Liability			
September 30, 2018	\$ 2,780,027	\$ 3,219,717	\$ 3,753,229

JACKSON COUNTY, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2018

For the year ended September 30, 2018, the County recognized OPEB expense of \$386,348. At September 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 948,458	\$ -
Differences between expected and actual experience	-	849,981
Total	<u>\$ 948,458</u>	<u>\$ 849,981</u>

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

Year ending September 30:

2019	\$ 11,641
2020	11,641
2021	11,641
2022	11,641
2023	11,641
Thereafter	40,272
Total	<u>\$ 98,477</u>

Note 11 – Risk Management

Workers' Compensation Benefits

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident with a one-time \$750,000 deductible, which completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2018 to January 1, 2019. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

JACKSON COUNTY, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2018

Health and Accident Benefits

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

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

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). At September 30, 2018, the amount of these liabilities was \$322,157. An analysis of claims activities is presented below:

	Liability at Beginning of Fiscal Year	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at End of Fiscal Year
2016-2017	\$ 343,652	\$ 9,461,320	\$ 9,369,380	\$ 435,592
2017-2018	\$ 435,592	\$ 8,928,196	\$ 9,041,631	\$ 322,157

Tort Liability

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

Note 12 – Operating Leases

As Lessee:

The County has entered into certain operating leases for equipment and real property which do not give rise to property rights. Maturity dates range from June 2015 through May 2019. Real

JACKSON COUNTY, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2018

property leased for the sheriff's substation is renewed in five year intervals; real property leased for the harbor is renewed in ten year intervals.

Historically equipment leased by the County is returned after the initial lease term. Total costs for such leases were \$24,295 for the fiscal year ended September 30, 2018. The future minimum lease payments for these leases are as follows:

<u>Year ending September 30,</u>	<u>Amount</u>
2019	<u>\$ 21,895</u>

Note 13 – Long-term Debt

Long-term Debt Outstanding at Year End

The County had the following types of long-term debt outstanding as of September 30, 2018:

Governmental Activities:

<u>Description</u>	<u>Amount</u>	<u>Interest Rate(s)</u>	<u>Maturity Date</u>
General Obligation Bonds			
Taxable Port, Series 2015	\$ 147,600	1.99%	12/2017
2013 refunding	2,620,000	.50-2.80%	06/2020
G.O. Bonds Series 2017	<u>6,065,000</u>	2.30%	12/2027
Total General Obligation Bonds	<u>\$ 8,832,600</u>		
Limited Obligation Bonds			
Correctional Facility Series 2013	<u>\$ 22,970,000</u>	3.50%	07/2032
Other Loans			
Rail Loan	\$ 494,441	0-1.00%	03/2026
G.O. Notes, Series 2016	<u>1,580,440</u>	1.58%	05/2021
Total Other Loans	<u>\$ 2,074,881</u>		

Legal Debt Margin

Except for specifically exempted debt, the amount of debt that can be incurred by the County is limited by state statute to 15 percent of the assessed value of the taxable property within the County, as determined by the most recently completed assessment. However, the limitation is increased to 20 percent if the County issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2018, the amount of outstanding debt subject to the limit was equal to .48% percent of the latest property assessment.

JACKSON COUNTY, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2018

Certificates of Participation - In accordance with Section 31-8-1 et seq. Mississippi Code Ann., (1972), the County issued Certificates of Participation and transferred the proceeds to the Jackson County Governmental Facilities Corporation. The funds are to be used to construct a County Jail Complex. At completion, the Corporation will enter into a twenty year lease with the County. The County is obligated to pay the principal and interest on the debt. At the completion of the lease, the County will assume ownership of the facility. This obligation is not a general obligation and does not constitute a pledge of full faith and credit of the County.

Changes in Long-term Liabilities

Changes in the County's long-term liabilities for the year ended September 30, 2018 are summarized below:

Governmental Activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	\$ 2,425,259	\$ 108,147	\$ -	\$ 2,533,406	\$ -
General obligation bonds	4,522,600	6,065,000	1,755,000	8,832,600	1,971,600
Discount	(8,572)		8,572	-	
Limited obligation bonds	24,180,000		1,210,000	22,970,000	1,260,000
Other loans	2,652,058		577,177	2,074,881	585,243
	<u>\$ 33,771,345</u>	<u>\$ 6,173,147</u>	<u>\$ 3,550,749</u>	<u>\$ 36,410,887</u>	<u>\$ 3,816,843</u>

Business-type Activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	<u>\$ 33,142</u>	<u>\$ 7,755</u>	<u>\$ -</u>	<u>\$ 40,897</u>	<u>\$ -</u>

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

JACKSON COUNTY, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2018

Debt Service Requirements

At September 30, 2018, the annual debt service requirements for the County's long-term debt are as follows:

Governmental Activities:

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>		<u>Limited Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,971,600	201,832	1,260,000	836,612
2020	1,870,000	164,428	1,325,000	773,612
2021	561,000	114,793	1,390,000	707,362
2022	578,000	107,890	1,460,000	637,862
2023	596,000	88,596	1,520,000	579,462
2024 - 2028	3,256,000	229,080	8,315,000	2,170,998
2029 - 2032	-	-	7,700,000	682,838
Totals	<u>\$ 8,832,600</u>	<u>\$ 906,619</u>	<u>\$ 22,970,000</u>	<u>\$ 6,388,746</u>

<u>Year Ending September 30</u>	<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 585,243	\$ 29,004
2020	593,437	20,874
2021	601,761	12,616
2022	66,667	4,227
2023	66,667	-
2024 - 2026	161,106	-
Totals	<u>\$ 2,074,881</u>	<u>\$ 66,721</u>

Note 14 – Deferred Outflows of Resources and Deferred Inflows of Resources

The County reports the following deferred outflows of resources:

Government-wide Statement of Net Position:

- **Deferred outflows related to pensions.** This amount represents the County's proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates.
- **Deferred outflows related to OPEB.** This amount represents the County's proportionate share of the deferred outflows of resources reported by the OPEB plan in which the County participates.

JACKSON COUNTY, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2018

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

The County reports the following deferred inflows of resources:

Government-wide Statement of Net Position:

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

Governmental Funds Balance Sheet:

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

Proprietary Funds Statement of Net Position:

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

JACKSON COUNTY, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2018

Note 15 – Segment Information for Enterprise Funds

The County maintains three enterprise funds, which provide recreation and community services, rental services and food services. Summary financial information for each enterprise fund is presented for the year ended September 30, 2018.

Condensed Statement of Net Position:

	ADC Canteen Fund	Ocean Springs Harbor Fund	Golf Course Fund	Total
Current assets	\$ 195,523	76,565	25,340	297,428
Capital assets	4,204	6,318,070	1,573,284	7,895,558
Deferred outflows of resources		20,523	96,916	117,439
Total Assets and Deferred Outflows of Resources	<u>199,727</u>	<u>6,415,158</u>	<u>1,695,540</u>	<u>8,310,425</u>
Current liabilities	1,700	3,940	23,804	29,444
Noncurrent liabilities		196,921	956,847	1,153,768
Deferred inflows of resources		15,401	72,729	88,130
Total Liabilities and Deferred Inflows of Resources	<u>1,700</u>	<u>216,262</u>	<u>1,053,380</u>	<u>1,271,342</u>
Net position:				
Net Investment in capital				
Assets	4,204	6,318,070	1,573,284	7,895,558
Restricted	198,027			198,027
Unrestricted	(4,204)	(119,174)	(931,124)	(1,054,502)
Total Net Position	<u>\$ 198,027</u>	<u>6,198,896</u>	<u>642,160</u>	<u>7,039,083</u>

JACKSON COUNTY, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2018

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

	ADC Canteen Fund	Ocean Springs Harbor Fund	Golf Course Fund	Total
Operating revenues	\$ 55,960	260,366	593,068	909,394
Operating expenses	(34,850)	(191,673)	(1,070,357)	(1,296,880)
Depreciation expense		(360,735)	(27,406)	(388,141)
Operating Income (Loss)	<u>21,110</u>	<u>(292,042)</u>	<u>(504,695)</u>	<u>(775,627)</u>
Interest income	4,126	1,892	1,526	7,544
Transfers in			900,000	900,000
Change in Net Position	<u>25,236</u>	<u>(290,150)</u>	<u>396,831</u>	<u>131,917</u>
Net Position - Beginning	172,791	6,478,078	259,222	6,910,091
Prior period adjustment		10,968	(13,893)	(2,925)
Net Position - Beginning, as Restated	<u>172,791</u>	<u>6,489,046</u>	<u>245,329</u>	<u>6,907,166</u>
Net Position - Ending	<u>\$ 198,027</u>	<u>6,198,896</u>	<u>642,160</u>	<u>7,039,083</u>

Condensed Statement of Cash Flows:

	ADC Canteen Fund	Ocean Springs Harbor Fund	Golf Course Fund	Total
Net cash provided (used) by:				
Operating activities	\$ 20,538	40,717	(525,586)	(464,331)
Noncapital financing activities			900,000	900,000
Capital and related financing activities		(5,402)	(875,678)	(881,080)
Investing activities	4,126	1,892	1,526	7,544
Net increase (decrease) in cash	24,667	37,207	(499,738)	(437,867)
Cash - Beginning of Year	<u>170,859</u>	<u>39,358</u>	<u>525,078</u>	<u>735,295</u>
Cash - End of Year	<u>\$ 195,523</u>	<u>76,565</u>	<u>25,340</u>	<u>297,428</u>

JACKSON COUNTY, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2018

Note 16 – Jointly Governed Organizations

The County participates in the following jointly governed organizations:

Southern Mississippi Planning and Development District operates in a district composed of the counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The governing body is a 27-member board of directors, one appointed by the Board of Supervisors of each member county, one from each of the six participating cities and six appointed at large by minority members. The County appropriated \$34,917 for support of Southern Mississippi Planning and Development District in fiscal year 2018.

Jackson County Civic Action is jointly governed by various public entities, as well as by certain corporations and civic groups. The Jackson County Board of Supervisors appoints two of the 15 members of the board of directors. The County appropriated \$182,960 for support of the Jackson County Civic Action in fiscal year 2018.

Jackson County Economic Development Foundation is jointly governed by various public entities, as well as by certain corporations. The Jackson County Board of Supervisors appoints two of the 16 members of the board of directors. The County appropriated \$410,000 for support of the Jackson County Economic Development Foundation in fiscal year 2018.

Gulf Regional Planning and Development District operates in a district composed of the counties of Hancock, Harrison and Jackson. The governing body is a nine-member board of directors; three appointed by the Board of Supervisors of each member county. The County appropriated \$30,835 for support of Gulf Regional Planning and Development District in fiscal year 2018.

Harrison-Jackson County Emergency Medical Service District operates in a district composed of the counties of Harrison and Jackson and the Cities of Biloxi, Gulfport and Ocean Springs. The district's board is composed of five members, one appointed by each government. The County provided no financial support to Harrison Jackson County Emergency Medical Service District in fiscal year 2018.

LaPointe-Krebs Foundation is jointly governed by Jackson County, the City of Pascagoula and Jackson County Historical and Genealogical Society. The Jackson County Board of Supervisors appoints two of the 5 members of the board of directors. The County appropriated \$50,000 for financial support to the LaPointe-Krebs Foundation in fiscal year 2018.

Mississippi Gulf Coast Community College operates in a district composed of the counties of George, Harrison, Jackson and Stone. The College's board of trustees is composed of 23 members; three each appointed by George and Stone counties, eight each appointed by Harrison and Jackson counties, and one appointed at large. The County appropriated \$8,563,108 for maintenance and support of the college in the fiscal year 2018.

JACKSON COUNTY, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2018

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

Note 17 – Contingencies

Federal Grants – The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from an agency audit may become a liability of the County. No provision for any liability that may result has been recognized in the County's financial statements.

Litigation - The County 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 ultimate outcome or liability, if any, of the County with respect to the various proceedings. However, the County's legal counsel believes that ultimately liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the County.

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

Hospital Revenue Bond -The County issues revenue bonds and notes with maturities ranging from July 1, 2023 through July 1, 2036, to provide funds for constructing and improving capital facilities of the Singing River Hospital. Revenue bonds and notes are reported as a liability of the hospital because such debt is payable primarily from the hospital's pledged revenues. However, the County remains contingently liable for the retirement of these bonds and notes because the full faith, credit and taxing power of the County is secondarily pledged in case of default by the hospital. The principal amount of hospital revenue bonds and notes outstanding at September 30, 2018, is \$73,945,000.

Debt Contingencies

No Commitment Debt – From time to time, the County has issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. These bonds either bear the County's name or constitute a moral responsibility of the County that is not an enforceable promise to pay. However, because the debt includes an explicit statement as to the absence of

JACKSON COUNTY, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2018

obligation of the County, other than possibly an agreement to assist creditors in exercising their rights in the event of default, these bonds are classified as no commitment debt and are not reported as liabilities in the accompanying financial statements. Default on these bonds may adversely affect the County's ability to borrow; accordingly, outstanding issuances of such debt are disclosed as follows:

Description	Amount Outstanding
Industrial revenue bonds and notes	\$ 36,840,000

Note 18 – Tax Abatement

For the year beginning October 1, 2016, the Governmental Accounting Standards Board (GASB) implemented Statement 77, *Tax Abatement Disclosures*. This statement requires governmental entities to disclose the reduction in tax revenues resulting from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The Jackson County Board of Supervisors negotiates property tax abatements on an individual basis. Abatements terms range from six to ten years and are all for economic development purposes. The County had tax abatement agreements with twenty-two entities as of September 30, 2018.

The County had three types of abatements. The payments in lieu of taxes is the only type of abatement that provides for the abatement of school tax levies. None of the types of tax abatements provide for the abatement of state taxes:

Sections 27-31-101 and 17-21-7, Miss. Code (Ann.) 1972

All allowable property tax levies

All allowable property tax levies except for countywide road fund tax levy

There are twenty-one companies that have tax abatements under these statutes.

Section 27-31-104, Miss. Code (Ann.) 1972

Payments in lieu of taxes

JACKSON COUNTY, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2018

There is one company that has tax abatements under this statute.

<u>Category</u>	<u>% of Taxes Abated</u>	<u>Amount of Taxes</u>
	<u>During the Fiscal Year</u>	<u>Abated During the</u> <u>Fiscal Year</u>
Economic development projects	77.46%	\$ 20,502,995

The companies were not required to comply with any special provisions in order to receive the abatements and the County made no commitments as part of the agreements other than to reduce taxes.

Note 19 – Effect of Deferred Amounts on Net Position

The governmental activities' unrestricted net position amount of (\$19,869,972) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$1,328,711 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2019. The \$7,358,316 balance of the deferred outflow of resources related to pensions at September 30, 2018, will be recognized in pension expense over the next 3 years.

The governmental activities' unrestricted net position amount of (\$19,869,972) includes the effect of deferred outflows of resources related to OPEB. The \$948,458 balance will be recognized in expense over the next 9 years.

The business-type activities' unrestricted net position amount of (\$1,054,502) includes the effect of deferred outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$17,963 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2019. The \$99,476 balance of the deferred outflow of resources related to pensions at September 30, 2018, will be recognized in pension expense over the next 3 years.

The governmental activities' unrestricted net position amount of (\$19,869,972) includes the effect of deferred inflow of resources related to OPEB. The \$849,981 balance of the deferred inflow of resources related to OPEB at September 30, 2018, will be recognized as revenue and will increase the unrestricted net position over the next 9 years.

The governmental activities' unrestricted net position amount of (\$19,869,972) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$6,519,050 balance of the deferred inflow of resources related to pensions at September 30, 2018, will be recognized as revenue and will increase the unrestricted net position over the next 3 years.

JACKSON COUNTY, MISSISSIPPI

Notes to the Financial Statements For the Year Ended September 30, 2018

The governmental activities' unrestricted net position amount of (\$19,869,972) includes the effect of deferring the recognition of revenue from deferred inflow from property taxes. The \$79,710,241 balance of deferred inflows of resources at September 30, 2018, will be recognized as revenue and will increase the unrestricted net position over the next few years.

The governmental activities' unrestricted net position of (\$19,869,972) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from unearned revenue for future reporting period. The \$2,525,283 balance of deferred inflows resources at September 30, 2018, will be recognized as revenue and will increase the unrestricted net position over the next few years.

The business-type activities' unrestricted net position amount of (\$1,054,502) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$88,130 balance of the deferred inflow of resources related to pensions at September 30, 2018, will be recognized as revenue and will increase the unrestricted net position over the next 3 years.

Note 20 – Subsequent Events

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

Subsequent to September 30, 2018, the County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
12/19/2018	4.78%	45,500,000	Limited Obligation Bonds	Ad valorem Taxes
04/02/2019	3.95%	43,119,000	Limited Obligation Bonds	Ad valorem Taxes

Component Unit
Singing River Health/Mental Retardation Services

Notes to the Financial Statements
For the year ended June 30, 2018

SINGING RIVER MENTAL HEALTH / MENTAL RETARDATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

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

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

B. Basic Financial Statements – Fund Financial Statements

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

SINGING RIVER MENTAL HEALTH / MENTAL RETARDATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

C. Basis of Accounting

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

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

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

D. Inventories

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

E. Capital Assets

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

SINGING RIVER MENTAL HEALTH / MENTAL RETARDATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Compensated Absences

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

Employees earn vacation time during employment at various rates depending on the length of service and hire date. An employee may accumulate vacation time up to forty-five (45) days. Upon termination, up to thirty (30) days of accumulated vacation time may be paid to the terminated employee. The Agency accrues vacation as the employee earns it. As of June 30, 2018, the liability for accrued vacation leave is \$188,322.

G. Use of Estimates

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

H. Concentrations

The Agency receives approximately 84.47% of its total revenue from two main sources. One source is the Mississippi Department of Mental Health, which provides 18.73% of the Agency's revenue in the form of cost reimbursement and purchase of service grants, and the other is the Mississippi Division of Medicaid, which provides 65.74% of the total revenue for the period. Medicaid funding is based exclusively on services provided to Medicaid eligible clients.

NOTE B. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

SINGING RIVER MENTAL HEALTH / MENTAL RETARDATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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

	The First Bank	Charter Bank
DEMAND DEPOSITS:		
Total Deposits	\$ 821,627	\$ 1,010,000
Covered by:		
FDIC Insured Amount	250,000	250,000
Collateral, MS collateral pool	571,627	760,000
Amount of demand deposits not covered by insurance or collateral	\$ -	\$ -

The Agency has funds invested in short term certificates of deposit with Charter Bank. As of June 30, 2018, the account had a fair market value of \$1,010,000.

A summary of the total unrestricted cash as of June 30, 2018 is as follows:

Operating Cash and Reserve	\$ 179,230
Certificates of Deposit	1,010,000
Cash in Petty Cash Accounts	1,081
Total unrestricted cash	<u>\$ 1,190,311</u>

A summary of the total restricted cash as of June 30, 2018 is as follows:

Cash- Restricted by SRRFF	\$ 390,014
Cash- Restricted for SRRFF Dissolution Costs	35,060
Total restricted cash*	<u>\$ 425,074</u>

*See Note C regarding restrictions

Interest Rate Risk

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

Credit Risk

The Agency does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

SINGING RIVER MENTAL HEALTH / MENTAL RETARDATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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

Custodial Credit Risk – Investments

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its investments or collateral securities that are the possession of an outside party. The Agency does not have a formal investment policy that addresses custodial credit risk.

Concentration of Credit Risk

Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2018, the Agency had the following investments:

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Certificate of Deposit- Charter	\$ 252,500	25.00%
Certificate of Deposit- Charter	252,500	25.00%
Certificate of Deposit- Charter	252,500	25.00%
Certificate of Deposit- Charter	252,500	25.00%
Total	<u>\$ 1,010,000</u>	<u>100.00%</u>

NOTE C. DISSOLUTION OF SINGING RIVER REGIONAL FACILITIES FOUNDATION

Singing River Regional Facilities Foundation (the Foundation) voted to dissolve and contribute all assets over to Singing River Mental Health/Mental Retardation Services. The Foundation's remaining cash was deposited in two bank accounts for a total \$554,430. \$504,430 was deposited into a bank account to be used by the Agency for the purposes laid out by the Singing River Regional Facilities Foundation. \$50,000 was deposited in to a bank account to pay any costs related to the dissolution of the Singing River Regional Facilities Foundation. Once the dissolution is complete, those funds will be released to be used by the Agency.

SINGING RIVER MENTAL HEALTH / MENTAL RETARDATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE C. DISSOLUTION OF SINGING RIVER REGIONAL FACILITIES
FOUNDATION (continued)

The following is the restricted funds activity for the year ending June 30, 2018:

Balance as of June 30, 2017	\$ 554,430
Disbursements	(129,356)
Balance as of June 30, 2018	<u>\$ 425,074</u>

NOTE D. ACCOUNTS RECEIVABLE

Net accounts receivable as of June 30, 2018 is composed of:

	<u>Patient Fees</u>
Accounts receivable, clients	\$ 43,730
Accounts receivable, Medicaid	467,776
Accounts receivable, third party insurance	96,894
Allowance for doubtful accounts	<u>(73,200)</u>
Total patient fees	<u><u>\$ 535,200</u></u>
	<u>SRI Sales</u>
Accounts receivable, clients	\$ 4,726
Allowance for doubtful accounts	-
Total SRI sales	<u><u>\$ 4,726</u></u>
Accounts receivable, other	2,942
Total Accounts Receivable	<u><u>\$ 542,868</u></u>

SINGING RIVER MENTAL HEALTH / MENTAL RETARDATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE E. FUNDING

Explanation of funding:

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

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

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

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

SINGING RIVER MENTAL HEALTH / MENTAL RETARDATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE E. FUNDING (continued)

Funding received from various sources is detailed below:

<u>Program Funding</u>	<u>Total</u>	<u>Percent of Program Funding</u>
Medicaid	\$ 5,092,509	67.0%
Grants	1,555,394	20.4%
Self Pay and third party reimbursement	427,578	5.6%
County funds	453,000	5.9%
Pharmacy	10,775	0.1%
Client fees and work activity fees	78,376	1.0%
Total Program Funding	<u>\$ 7,617,632</u>	<u>100%</u>

Excess Revenue

Regional mental health centers are allowed to accumulate excess revenues up to 50% of their current operating budget without justification to the Department. An accumulation in excess of this amount is required to be reported to Mississippi Department of Mental Health along with a plan for expending the funds on programs or capital expenditures. Surpluses are encouraged for payment of Medicaid matching funds, unplanned interruptions in funding and other emergencies, which limit the centers ability to provide services. As of June 30, 2018, the Agency has accumulated reserves of approximately 17.20% of its annual operation budget.

As of June 30, 2018, the amount receivable from the Mississippi Department of Mental Health for services provided under grants was \$222,082, all of which was deemed collectable.

SINGING RIVER MENTAL HEALTH / MENTAL RETARDATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE F. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance Sheet Beginning June 30, 2017	Net Additions and Deletions	Balance Sheet Ending June 30, 2018
Land	\$ 10,000	\$ -	\$ 10,000
Buildings	3,216,569	-	3,216,569
Building improvement	576,254	(4,069)	572,185
Equipment	1,452,391	(46,494)	1,405,897
Software	414,667	-	414,667
Totals	5,669,881	(50,563)	5,619,318
Accumulated depreciation	(2,097,292)	31,347	(2,065,945)
Totals	\$ 3,572,589	\$ (19,216)	\$ 3,553,373

Depreciation expenses for the year ending June 30, 2018 were \$30,310.

NOTE G. COMMITMENTS AND CONTINGENCIES

A. Lease Commitment

The Agency operates from a leased facility in George County under a lease agreement classified as an operating lease for accounting purposes. Leases are renewed on a yearly basis. Total rent expense for the fiscal year ending June 30, 2018, was \$14,550. Required estimated future minimum lease payments are as follows:

For the year ending June 30, 2019	\$2,400
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B. Equipment Lease Commitment

The Agency leases copiers and related accessories for use in Jackson and George Counties under lease agreements classified as operating leases for accounting purposes. Leases are on a 48 month terms with a fair market value purchase option at the end of the lease. Total copier rent expense for the fiscal year ending June 30, 2018, was \$28,965. Required estimated future minimum lease payments are as follows:

SINGING RIVER MENTAL HEALTH / MENTAL RETARDATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE G. COMMITMENTS AND CONTINGENCIES (continued)

For the year ending June 30, 2019	\$23,075
For the year ending June 30, 2020	23,075
For the year ending June 30, 2021	23,075
For the year ending June 30, 2022	15,152
	<hr/>
	<u>\$84,377</u>

NOTE H. PENSION PLAN

A. Description

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

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

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

NOTE I. DEFINED BENEFIT PENSION PLAN

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

Benefits provided.

A member who terminates employment from all covered employers and who is not eligible to receive monthly retirement benefits may request a full refund of his or her accumulated member contributions plus interest. Upon withdrawal of contributions, a member forfeits service credit represented by those contributions. 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

SINGING RIVER MENTAL HEALTH / MENTAL RETARDATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE I. DEFINED BENEFIT PENSION PLAN (continued)

30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

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 of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. The PERS plan financial report is included in the Comprehensive Annual Financial Report of the Public Employees' Retirement System available at www.PERS.ms.gov.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the Agency is required to contribute at an actuarially determined rate. The employer's rate through June 30, 2019 is 15.75% of annual covered payroll and 17.40% thereafter. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The Agency's contributions to PERS for the fiscal years ending June 30, 2018, 2017 and 2016 were \$1,003,902, \$1,009,277, and \$933,416, respectively, which equaled the required contributions for each year.

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

At June 30, 2018, the Agency reported a liability of \$10,595,203 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2018, the Agency's proportion was 0.0637 percent.

SINGING RIVER MENTAL HEALTH / MENTAL RETARDATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE I. DEFINED BENEFIT PENSION PLAN (continued)

For the year ended June 30, 2018, the Agency recognized pension expense of \$641,692. At June 30, 2018 the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 46,449	\$ 44,664
Net difference between projected and actual earnings on pension plan investments	-	210,618
Changes in assumptions	6,253	5,852
Changes in proportion and differences between Agency contributions and proportionate share of contributions	-	-
Agency contributions subsequent to the measurement	-	-
Totals	<u>\$ 52,702</u>	<u>\$ 261,134</u>

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

For the year ending June 30, 2019	122,556
For the year ending June 30, 2020	(34,292)
For the year ending June 30, 2021	(249,050)
For the year ending June 30, 2022	(47,647)
	<u>\$ (208,433)</u>

Actuarial assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.25 – 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

SINGING RIVER MENTAL HEALTH / MENTAL RETARDATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE I. DEFINED BENEFIT PENSION PLAN (continued)

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class of June 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S Broad	27.00%	4.60%
International Equity	18.00%	4.50%
Emerging Markets Equity	4.00%	4.75%
Global	12.00%	4.75%
Fixed Income	18.00%	0.75%
Real Assets	10.00%	3.50%
Private Equity	8.00%	5.10%
Emerging Debt	2.00%	2.25%
Cash	1.00%	0.00%
Totals	100.00%	

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that Employer contributions will be made at the former employer contribution rate (15.75%) through June 30, 2019 and at the current contribution rate (17.40%) thereafter. 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.

SINGING RIVER MENTAL HEALTH / MENTAL RETARDATION SERVICES
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE I. DEFINED BENEFIT PENSION PLAN (continued)

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Decrease (8.75%)
Agency's proportionate share of the net pension liability	\$ 13,950,841	\$ 10,595,203	\$ 7,806,224

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 J. SUBSEQUENT EVENTS

The Agency has evaluated for consideration of recognition or disclosure, subsequent events that have occurred through the date of issuance of its financial statements, January 7, 2019.

Component Unit
Singing River Health System

Notes to the Financial Statements
For the year ended June 30, 2018

Notes to Financial Statements

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

Nature of operations and reporting entity

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

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

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

Blended component units

SRHS Ambulatory Services, Inc. ("SRHSAS") is a component unit of the Health System and is presented as a blended component unit as of September 30, 2018 and 2017 in the Health System's financial statements. As the sole member of this not-for-profit organization, the Health System exerts control and has a financial benefit relationship. SRHSAS is operated by a Board of Directors, all of whom are appointed by the Health System's Board. As of September 30, 2018 and 2017, SRHSAS holds a non-controlling 24.5% ownership interest in two ambulatory surgery centers, Mississippi Coast Endoscopy and Ambulatory Surgery Center, LLC ("MCEASC") and Ocean Springs Surgical and Endoscopy Center, LLC ("OSSEC"). All significant intercompany transactions have been eliminated.

Anesthesia Services, LLC, is a component unit of the Health System and is presented as a blended component unit as of September 30, 2018 in the Health System's financial statements. Anesthesia Services, LLC is a wholly owned subsidiary of the Health System, that previously provided management, scheduling and billing and collection services for certified registered nurse anesthetists. All significant intercompany transactions have been eliminated.

Budgetary information

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

Basis of accounting

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

Use of estimates

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

Cash and cash equivalents

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

Investments and investment income

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

Patient accounts receivable

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

Inventories

Inventories of drugs and other supplies are recorded at cost, using the first-in, first-out method, which is not in excess of market.

Funds held by trustees

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

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

Capital assets, net

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

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

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

Capital assets are reviewed for impairment when service utility has declined significantly and unexpectedly. If such assets are no longer used, they are reported at the lower of carrying value or fair value. If such assets will continue to be used, the impairment loss is measured using a historical cost approach method that best reflects the diminished service utility of the capital asset. No impairment losses were recognized in 2018 and 2017.

Cost of borrowing

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

Interest cost is capitalized on qualified construction expenditures as a component of the cost of the related projects. No interest cost was capitalized in 2018 and 2017.

Compensated absences

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

Deferred outflows and inflows of resources

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

Net position

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

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

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

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

Patient service revenues

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

Charity care

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

Statements of revenues, expenses and changes in net position

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

Income taxes

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

Reclassifications

Certain reclassifications have been made to the 2017 financial statements included herein to conform to the 2018 presentation.

Subsequent Events

The Health System evaluated all events and transactions that occurred after September 30, 2018 through November 15, 2018, the date that the financial statements were available to be issued. During this period, the Health System did not have any material recognizable subsequent events.

2. Patient Service Revenue

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

- Medicare – Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to the patient classification system that is based on clinical, diagnostic and other factors. Inpatient services are paid under the traditional Part A plan or managed care (Medicare Advantage) negotiated rates under Part C. Outpatient services related to Medicare beneficiaries are reimbursed through a prospective payment system commonly known as Ambulatory Payment Classification ("APC"). Under the APC system, certain medical devices and drugs are reimbursed at cost or average wholesale price. Long-term care services are reimbursed under a prospective payment system that considers the Medicare beneficiaries' severity of illness among other clinical factors. Inpatient non-acute services are paid based on a prospective payment system. The Health System is reimbursed for cost-reimbursable items at a tentative rate, with final settlement determined after submission and review by the fiscal intermediary of annual cost reports. Revenue from the Medicare program accounted for approximately 52 and 50 percent of the Health System's net patient service revenue for the years ended September 30, 2018 and 2017, respectively.
- Medicaid – Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed based upon a prospective reimbursement methodology. The Health System is reimbursed at a prospective rate, which is adjusted annually based on published market basket update. Revenue from the Medicaid program accounted for approximately 12 percent of the Health System's net patient service revenue for years ended September 30, 2018 and 2017, respectively.

The Health System participates in the Mississippi Intergovernmental Transfer Program as a Medicaid Disproportionate Share Hospital ("DSH") and in the Mississippi Hospital Access Payment Program ("MHAP"). DSH funds are distributed in December, March and June. Under MHAP, taxes are assessed and funds are distributed on a monthly basis.

Under these programs, the Health System receives enhanced reimbursement through a matching mechanism. For the years ended September 30, 2018 and 2017, the Health System received approximately \$10,300,000 and \$18,111,000, respectively, in enhanced reimbursement through the DSH program. DSH amounts are recorded as a reduction of contractual adjustments. The net benefit to the Health System associated with participation in the MHAP program was approximately \$5,300,000 and \$4,800,000 for the years ended September 30, 2018 and 2017, respectively. MHAP amounts, net of related tax assessments of approximately \$11,377,000 and \$11,912,000 for the years ended September 30, 2018 and 2017, respectively, are also shown as a reduction of contractual adjustments. There can be no assurance that the Health System will continue to qualify for future participation in these programs or that the programs will not ultimately be discontinued or materially modified.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Health System recorded a decrease of approximately \$5,200,000 and an increase of approximately \$14,000 to net patient service revenue for the fiscal years ended September 30, 2018 and 2017, respectively, as a result of changes of prior fiscal year estimates of cost report settlements. The Health System has also entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to the Health System under these agreements includes prospectively determined rates and discounts from established charges and prospectively determined per diem rates.

Singing River Health System
Notes to Financial Statements

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

	<u>2018</u>	<u>2017</u>
Gross patient service revenue	\$2,093,460,590	\$1,893,070,188
Less provision for contractual and other adjustments	(1,630,473,280)	(1,443,588,536)
Less provision for bad debts	(117,443,553)	(108,238,003)
Net patient service revenue	<u>\$ 345,543,757</u>	<u>\$ 341,243,649</u>

3. Charity Care

The Health System maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy, the estimated costs of these services and supplies, and equivalent service statistics. Charges foregone, based on established rates, were approximately \$38,653,000 and \$29,222,000 for the years ended September 30, 2018 and 2017, respectively. The estimated costs and expenses incurred to provide charity care were approximately \$15,479,000 and \$11,664,000 for the years ended September 30, 2018 and 2017, respectively.

4. Capital Assets

Capital assets and related activity consisted of the following for the year ended September 30, 2018:

	<u>Balance September 30, 2017</u>	<u>Additions</u>	<u>Retirements/ Transfers and Impairment</u>	<u>Balance September 30, 2018</u>
Capital assets not being depreciated:				
Land	\$ 5,597,289	\$ -	\$ -	\$ 5,597,289
Construction in progress	<u>17,948,521</u>	<u>17,788,001</u>	<u>(26,107,132)</u>	<u>9,629,390</u>
Total capital assets not being depreciated	<u>23,545,810</u>	<u>17,788,001</u>	<u>(26,107,132)</u>	<u>15,226,679</u>
Capital assets being depreciated:				
Land improvements	6,390,088	-	-	6,390,088
Buildings and improvements	205,241,408	-	20,432,542	225,673,950
Fixed equipment	13,946,381	-	-	13,946,381
Movable equipment	<u>243,226,821</u>	<u>6,666,018</u>	<u>4,586,893</u>	<u>254,479,732</u>
Total capital assets being depreciated	<u>468,804,698</u>	<u>6,666,018</u>	<u>25,019,435</u>	<u>500,490,151</u>
Less accumulated depreciation for:				
Land improvements	4,604,082	247,344	-	4,851,426
Buildings and improvements	114,821,960	6,971,329	-	121,793,289
Fixed equipment	12,124,663	175,336	-	12,299,999
Movable equipment	<u>186,963,219</u>	<u>10,174,116</u>	<u>(1,087,697)</u>	<u>196,049,638</u>
Total accumulated depreciation	<u>318,513,924</u>	<u>17,568,125</u>	<u>(1,087,697)</u>	<u>334,994,352</u>
Capital assets being depreciated, net	<u>150,290,774</u>	<u>(10,902,107)</u>	<u>26,107,132</u>	<u>165,495,799</u>
Capital assets, net	<u>\$ 173,836,584</u>	<u>\$ 6,885,894</u>	<u>\$ -</u>	<u>\$ 180,722,478</u>

Singing River Health System
Notes to Financial Statements

Capital assets and related activity consisted of the following for the year ended September 30, 2017:

	Balance September 30, 2016	Additions	Retirements/ Transfers and Impairment	Balance September 30, 2017
Capital assets not being depreciated:				
Land	\$ 5,597,289	\$ -	\$ -	\$ 5,597,289
Construction in progress	<u>12,622,249</u>	<u>11,230,629</u>	<u>(5,904,356)</u>	<u>17,948,522</u>
Total capital assets not being depreciated	<u>18,219,538</u>	<u>11,230,629</u>	<u>(5,904,356)</u>	<u>23,545,811</u>
Capital assets being depreciated:				
Land improvements	6,363,671	26,417	-	6,390,088
Buildings and improvements	204,561,448	929,960	(250,000)	205,241,408
Fixed equipment	13,946,381	-	-	13,946,381
Movable equipment	<u>233,676,991</u>	<u>11,464,966</u>	<u>(1,915,136)</u>	<u>243,226,821</u>
Total capital assets being depreciated	<u>458,548,491</u>	<u>12,421,343</u>	<u>(2,165,136)</u>	<u>468,804,698</u>
Less accumulated depreciation for:				
Land improvements	4,354,894	249,188	-	4,604,082
Buildings and improvements	107,322,369	7,499,591	-	114,821,960
Fixed equipment	11,949,326	175,337	-	12,124,663
Movable equipment	<u>179,172,414</u>	<u>9,705,941</u>	<u>(1,915,136)</u>	<u>186,963,219</u>
Total accumulated depreciation	<u>302,799,003</u>	<u>17,630,057</u>	<u>(1,915,136)</u>	<u>318,513,924</u>
Capital assets being depreciated, net	<u>155,749,488</u>	<u>(5,208,714)</u>	<u>(250,000)</u>	<u>150,290,774</u>
Capital assets, net	<u>\$ 173,969,026</u>	<u>\$ 6,021,915</u>	<u>\$ (6,154,356)</u>	<u>\$ 173,836,585</u>

Construction in progress as of September 30, 2018 consisted primarily of expenditures associated with the Singing River Hospital ("SRH") operating room renovations and chiller plant improvements. These projects are estimated to be completed and placed in service during fiscal year 2019.

5. Leases

The Health System was obligated under several capital leases at September 30, 2018. Scheduled future payments on capital lease obligations are as follows:

	Principal	Interest
2019	\$ 395,137	51,644
2020	293,275	38,881
2021	270,000	29,624
2022	270,000	20,130
2023	<u>270,000</u>	<u>10,260</u>
Total	<u>\$ 1,498,412</u>	<u>\$ 150,539</u>

Singing River Health System
Notes to Financial Statements

A schedule of changes in the Health System's capital lease obligation balances for the year ended September 30, 2018 follows:

Description	Rate	Date of Issuance	Balance October 1, 2017	Additions	Retired	Balance September 30, 2018	Due Within One Year
Hospital equipment leases							
GE Capital	4.20%	4/1/2010	\$ 279,548	\$ -	\$ (131,136)	\$ 148,412	\$ 125,137
Stryker	3.95%	9/28/2018	-	1,350,000	-	1,350,000	270,000
			<u>\$ 279,548</u>	<u>\$ 1,350,000</u>	<u>\$ (131,136)</u>	<u>\$ 1,498,412</u>	<u>\$ 395,137</u>

A schedule of changes in the Health System's capital lease obligation balances for the year ended September 30, 2017 follows:

Description	Rate	Date of Issuance	Balance October 1, 2016	Additions	Retired	Balance September 30, 2017	Due Within One Year
Hospital equipment leases							
GE Capital	4.20%	12/17/2014	\$ 405,295	\$ -	\$ (125,747)	\$ 279,548	\$ 119,997
Key Government	6.37%	10/01/2015	17,086	-	(17,086)	-	-
IBM	2.93%	2/20/2015	90,698	-	(90,698)	-	-
			<u>\$ 513,079</u>	<u>\$ -</u>	<u>\$ (233,531)</u>	<u>\$ 279,548</u>	<u>\$ 119,997</u>

Capital assets totaling approximately \$2,013,000 and \$663,000 are related to the above capital lease obligations at September 30, 2018 and 2017, respectively. Related accumulated amortization was approximately \$514,900 and \$383,800 at September 30, 2018 and 2017, respectively.

Rental expense for all operating leases was approximately \$6,552,000 and \$6,061,000 for the years ended September 30, 2018 and 2017, respectively. There are no significant noncancelable operating leases at September 30, 2018. Management expects that most lease agreements will be replaced, as they expire, with similar agreements.

6. Cash, Cash Equivalents and Investments

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

	<u>2018</u>	<u>2017</u>
Deposits insured by the FDIC	\$ 500,000	\$ 500,000
Deposits uninsured, uncollateralized, or collateralized by securities held by the pledging institution or by its trust department or agent in other than the Health System's name	<u>80,091,791</u>	<u>77,621,832</u>
Total	<u>\$ 80,591,791</u>	<u>\$ 78,121,832</u>
Carrying amount (cash and cash equivalents)	<u>\$ 75,387,300</u>	<u>\$ 73,134,657</u>

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

	<u>2018</u>	<u>2017</u>
Money market investments	\$ 3,617,391	\$ 3,610,184
Money market funds	16,880,502	15,019,762
U.S. Government obligations	11,814,038	11,858,902
Municipal obligations	1,748,080	2,039,183
Collateralized mortgage obligations	18,073,327	11,299,172
Mortgage backed securities	2,642,116	3,420,400
Guaranteed contracts	<u>3,145,160</u>	<u>3,145,160</u>
	<u>\$ 57,920,614</u>	<u>\$ 50,392,763</u>

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

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

Singing River Health System
Notes to Financial Statements

Interest rate risk

In accordance with its investment policy, the Health System manages its exposure to declines in fair value by limiting the maximum effective average maturity of its investment portfolio to 3 years. As of September 30, 2018, the Health System's investments had the following maturities:

<u>Investment Type</u>	<u>Fair or Contract Value</u>	<u>< 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>> 10</u>
Money market investments	\$ 3,617,391	\$ 3,617,391	\$ -	\$ -	\$ -
Money market funds	16,880,502	16,880,502	-	-	-
U.S. Government obligations	11,814,038	4,973,123	6,840,915	-	-
Municipal obligations	1,748,080	793,919	954,161	-	-
Collateralized mortgage obligations	18,073,327	-	549,135	3,595,471	13,928,721
Mortgage-backed securities	2,642,116	-	-	1,251,186	1,390,930
Guaranteed contracts	<u>3,145,160</u>	<u>-</u>	<u>3,145,160</u>	<u>-</u>	<u>-</u>
	<u>\$ 57,920,614</u>	<u>\$ 26,264,935</u>	<u>\$ 11,489,371</u>	<u>\$ 4,846,657</u>	<u>\$ 15,319,651</u>

Custodial credit risk

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

Credit risk

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

<u>Investment Type</u>	<u>Rating</u>	<u>Percentage</u>
Money market investments	Not rated	6%
Money market funds	Not rated	29%
U.S. Government obligations	*	20%
Municipal obligations	Aa2	2%
Municipal obligations	Not rated	1%
Collateralized mortgage obligations	Aaa	31%
Mortgage-back securities	Aaa	5%
Guaranteed investment contract	Not rated	6%

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

Singing River Health System
Notes to Financial Statements

Various funds were established in accordance with the requirements of the indentures related to the Series 2009A, Series 2009B and Series 2011 Bonds discussed in Note 7. A summary of the funds are as follows for September 30:

	<u>2018</u>	<u>2017</u>
Reserve funds – long-term	\$ 7,367,170	\$ 7,171,171
Principal and interest funds – current	2,767,322	2,900,832
Capital improvement funds – long-term	<u>2,815,281</u>	<u>2,784,263</u>
	<u>\$ 12,949,773</u>	<u>\$ 12,856,266</u>

The reserve funds are generally equal to the maximum annual principal and interest requirements (as defined) for the revenue bonds. The principal and interest funds are for the annual debt service of the revenue bonds. The capital improvement funds represent proceeds of the revenue bonds to be used to fund costs of construction and installation of equipment and facilities. Deposits classified as current assets represent funds to be used to pay debt service and cost of issuance amounts classified as current liabilities at September 30, 2018 and 2017.

Investment income is comprised of the following at September 30:

	<u>2018</u>	<u>2017</u>
Dividend and interest income	\$ 277,099	\$ 177,870
Net increase in the fair value of investments	<u>864,775</u>	<u>388,078</u>
	<u>\$ 1,141,874</u>	<u>\$ 565,948</u>

7. Long-Term Debt

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

	<u>2018</u>	<u>2017</u>
Mississippi Development Bank Special Obligation Bonds – Series 2011	\$ 23,915,000	\$ 26,640,000
Plus unamortized bond premium	<u>652,271</u>	<u>759,068</u>
	<u>24,567,271</u>	<u>27,399,068</u>
Mississippi Development Bank Special Obligation Bonds – Series 2009A	29,350,000	30,120,000
Unamortized bond discount	<u>(638,075)</u>	<u>(687,511)</u>
	<u>28,711,925</u>	<u>29,432,489</u>
Mississippi Development Bank Special Obligation Refunding Bonds – Series 2009B	20,680,000	24,320,000
Unamortized bond discount	<u>(48,130)</u>	<u>(66,259)</u>
	<u>20,631,870</u>	<u>24,253,741</u>
	73,911,066	81,085,298
Current installments, based on contractual terms	<u>(7,420,000)</u>	<u>(7,135,000)</u>
Long-term debt, excluding current contractual installments	<u>\$ 66,491,066</u>	<u>\$ 73,950,298</u>

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

On October 27, 2009 the Health System refunded the Series 2008A bonds, outstanding in the amount of \$44,000,000, with the Series 2009 B-1 and 2009 B-2 bonds. The Series 2009 B-1 and 2009 B-2 bonds bearing fixed rates ranging from 2.0 percent to 5.0 percent secured by a bond insurance policy provided by Assured Guaranty and a five mill pledge of the assessed real and personal property by Jackson County.

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

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

Singing River Health System Notes to Financial Statements

Serial Bonds maturing on July 1, 2023, \$4,490,000 of Term Bonds maturing on July 1, 2031 and \$3,865,000 of Term Bonds maturing on July 1, 2036 and are at fixed rates ranging from 3.0 percent to 5.375 percent.

With respect to the 2011 Bond projects, one of the projects, a “Chiller/Electrical Plant” at Singing River Hospital in Pascagoula, for which the financing was obtained, was not completed. Some of the proceeds were used for other capital projects that management at the time apparently deemed more critical, including electrical upgrades, switchgear, and other improvements. The Chiller/Electrical Plant at the Pascagoula hospital was under construction in fiscal year 2017. The cooling tower was completed in 2017. The chiller plant is in its final stages and is expected to be completed the end of November 2018.

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

Under the terms of the respective loan agreements in connection with the Series 2009 Bonds and Series 2011 Bonds, the Health System is obligated to meet certain financial covenants on March 31st and September 30th of each year, including availability of cash, debt service coverage and limitations on additional debt. On July 15, 2014, the loan agreements were amended to state that a failure to comply with the financial covenants set forth in the bond agreements are not events of default. Rather, the amendments provide that the Bond Insurer may determine, at their sole discretion, whether a financial covenant violation constitutes an event of default. The Health System was in compliance with required days cash on hand and minimum debt service coverage financial covenants at September 30, 2018.

Debt service requirements associated with the Health System's long-term debt are as follows at September 30, 2018:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 7,420,000	\$ 3,823,131	\$ 11,243,131
2020	7,745,000	3,576,619	11,321,619
2021	8,105,000	3,315,819	11,420,819
2022	8,450,000	3,071,519	11,521,519
2023	8,940,000	2,701,369	11,641,369
2024 – 2028	8,260,000	8,229,400	16,489,400
2029 – 2033	10,675,000	5,809,469	16,484,469
2034 – 2038	12,085,000	2,590,556	14,675,556
2039 – 2043	<u>2,265,000</u>	<u>127,406</u>	<u>2,392,406</u>
	<u>\$ 73,945,000</u>	<u>\$ 33,245,288</u>	<u>\$107,190,288</u>

Singing River Health System
Notes to Financial Statements

At September 30, 2018, long-term debt, including additions and reductions, consisted of the following:

<u>Description</u>	<u>Date of Issuance</u>	<u>Balance October 1, 2017</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance September 30, 2018</u>	<u>Due Within One Year</u>
Series 2009B	10/27/2009	\$ 24,320,000	\$ -	\$ (3,640,000)	\$20,680,000	\$ 3,785,000
Series 2009A	4/2/2009	30,120,000	-	(770,000)	29,350,000	805,000
Series 2011	7/27/2011	<u>26,640,000</u>	<u>-</u>	<u>(2,725,000)</u>	<u>23,915,000</u>	<u>2,830,000</u>
		<u>\$ 81,080,000</u>	<u>\$ -</u>	<u>\$ (7,135,000)</u>	<u>\$73,945,000</u>	<u>\$ 7,420,000</u>

At September 30, 2017, long-term debt, including additions and reductions, consisted of the following:

<u>Description</u>	<u>Date of Issuance</u>	<u>Balance October 1, 2016</u>	<u>Additions</u>	<u>Retired</u>	<u>Balance September 30, 2017</u>	<u>Due Within One Year</u>
Series 2009B	10/27/2009	\$ 27,820,000	\$ -	\$ (3,500,000)	\$24,320,000	\$ 3,640,000
Series 2009A	4/2/2009	30,865,000	-	(745,000)	30,120,000	770,000
Series 2011	7/27/2011	<u>29,230,000</u>	<u>-</u>	<u>(2,590,000)</u>	<u>26,640,000</u>	<u>2,725,000</u>
		<u>\$ 87,915,000</u>	<u>\$ -</u>	<u>\$ (6,835,000)</u>	<u>\$81,080,000</u>	<u>\$ 7,135,000</u>

8. Pension Plan

On September 26, 2018, the Fifth Circuit Court of Appeals made a final ruling to uphold a settlement of a class-action lawsuit (the "Settlement") related to the Health System's funding of the Singing River Health System Employees' Retirement Plan and Trust (the "Plan"). The Settlement provides that the Health System fund \$156,400,000 into the Plan trust over a thirty-five-year period. The Settlement also provides that the payment of this \$156,400,000 is the Health System's only obligation to the Plan. The Health System has recorded its obligation under the Settlement, discounted at a rate of 6 percent, of approximately \$72,000,000 as a pension settlement liability in the statement of net position as of September 30, 2018.

The Settlement limits the amount of benefits to be paid to participants to the amount of plan fiduciary net position, which includes the future contributions from the Health System under the Settlement at their net present value. The total plan fiduciary net position as of September 30, 2018 was approximately \$188,000,000.

The Plan issues separate stand-alone financial statements which are available at request from the Health System or on the Health System's website.

General information about the pension plan

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

Benefits provided. As of September 30, 2017, the Pension Plan provided retirement, disability, and death benefits. Retirement benefits were calculated as a percentage of the employee's highest average monthly salary during any nineteen consecutive quarters of compensation during the forty consecutive quarters of employment immediately preceding the date of termination, plus the last quarter of employment compensation ("Average Monthly Compensation"). Normal retirement benefits were calculated as the sum of a) 1.625 percent of Average Monthly Compensation multiplied by years of credited service, up to twenty years, b) 1.75 percent of Average Monthly Compensation multiplied by years of credited service in excess of twenty years, up to thirty years, c) 2 percent of

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

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

Employees covered by benefit terms. At September 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	724
Inactive employees entitled to but not yet receiving benefits	162
Inactive employees not entitled to benefits	919
but with employee contributions	
Active employees	<u>1,020</u>
	<u>2,825</u>

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

Contributions. As a governmental entity, the Health System is exempt from the requirements of the Employee Retirement Income Security Act of 1974, and is otherwise not required by law or statute to make annual contributions to the Plan. The Health System did not make any contributions to the Pension Plan during the year ended September 30, 2017.

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

Net pension liability

The Health System's net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2016.

Actuarial assumptions. The total pension liability in the October 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Cost of living increases	1.25%
Salary increases	-%
Investment rate of return	6.0%

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

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

Discount rate. The discount rate used to measure the total pension liability at September 30, 2017 was 3.49 percent, as the projection of cash flows used to determine the discount rate assumed that employee contributions would not be made in the future and that Health System contributions will be made at actuarially determined rates. Based on those assumptions, the pension plan's fiduciary net position was projected not to be available to make all projected future benefit payments of current active and inactive employees. Therefore, a blended rate that utilized the long-term expected rate of return on the Pension Plan investments of 6.0 percent and the twenty-year general obligation Federal Reserve Bond Buyer Index rate ("Muni Bond Rate") of 3.35 percent was applied to projected benefit payments to determine the total pension liability.

Changes in the net pension liability

The following represents the changes in the net pension liability as of September 30, 2017:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Interest	\$ 14,893,889	\$ -	\$ 14,893,889
Differences between expected and actual experience	4,496,222	-	4,496,222
Net investment income	-	11,369,590	(11,369,590)
Changes of assumptions	(15,273,971)	-	(15,273,971)
Benefit payments, including refunds of employee Contributions	(16,304,500)	(16,304,500)	-
Administrative expense	-	(685,109)	685,109
Net change	(12,188,360)	(5,620,019)	(6,568,341)
Balance at October 1, 2016	<u>463,629,088</u>	<u>130,631,000</u>	<u>332,998,088</u>
Balance at September 30, 2017	<u>\$451,440,728</u>	<u>\$125,010,981</u>	<u>\$326,429,747</u>

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

For the years ended September 30, 2018 and 2017, the Health System recognized (contra) pension expense of approximately \$(248,528,000) and \$16,352,000 respectively.

At September 30, 2017, the Health System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,073,367	\$ 4,252,469
Changes of other assumptions or other inputs	17,586,379	10,440,436
Net difference between projected and actual earnings on pension plan investments	-	76,840
	<u>\$ 20,659,746</u>	<u>\$ 14,769,745</u>

9. Other Retirement Plans

The Health System maintains supplementary retirement plans under IRS Code Sections 403(b) and 457(b) which are administered by Diversified Retirement Corporation and Transamerica Retirement Solutions. The 403(b) plan is a contributory plan with the System matching a fixed percentage of base earnings for each eligible employee. To receive an employer contribution, eligible employees must have completed 90 days of continuous service. Contributions by eligible employees are matched by the System at a rate of 50% of the first 6% of each employee's eligible compensation that is contributed by the participant to the plan. Employees contributing a portion of their eligible salary to the 457(b) plan do not receive a matching employer contribution. All employees are eligible to participate in both plans at the date of hiring. The employee contributions are made on a tax-deferred basis. The benefit to the employee under each plan is the amount contributed plus investment earnings. Employees are fully vested after four or more years of continuous employment.

The Health System's contributions to the 403(b) plan were \$1,635,387 and \$1,533,531, for the years ended September 30, 2018 and 2017, respectively. Employee contributions to the 403(b) plan totaled \$4,451,511 and \$4,156,292 for the years ended September 30, 2018 and 2017, respectively.

Employee contributions to the 457(b) plan totaled \$1,475,054 and \$1,559,145 for the years ended September 30, 2018 and 2017, respectively.

10. Business and Credit Concentrations

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

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

	<u>2018</u>	<u>2017</u>
Medicare	39%	36%
Commercial insurance	19%	19%
Patients	23%	25%
Blue Cross	9%	10%
Medicaid	<u>10%</u>	<u>10%</u>
	<u>100%</u>	<u>100%</u>

11. Risk Management

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

Incurred losses identified through the Health System's incident reporting system and incurred but not reported losses are accrued based on estimates that incorporate the Health System's current inventory of reported claims

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and historical experience, as well as considerations such as the nature of each claim or incident, relevant trend factors and advice from consulting actuaries. The Health System has established a self-insurance trust fund for payment of liability claims and makes deposits to the fund in amounts determined by consulting actuaries.

The self-insurance liability for professional and general liability is included in the accrued workers' compensation, professional, and general liability costs line item on the statement of net position. The following is a summary of changes in the Health System's self-insurance liability for professional and general liability costs for fiscal years 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Balance at October 1	\$ 9,330,845	\$ 6,284,576
Provisions for claims reported and claims incurred but not reported	992,554	3,046,269
Claims paid	<u>(310,903)</u>	<u>-</u>
Balance at September 30	<u>\$ 10,012,496</u>	<u>\$ 9,330,845</u>

Like many other businesses, the Health System is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illness; natural disasters and professional and general liability claims and judgments. Commercial insurance coverage is purchased for most claims arising from such matters. Claims settled through September 30, 2018 have not exceeded this commercial coverage in any of the three preceding years.

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

The self-insurance liability for workers' compensation claims is included in the accrued workers' compensation, professional, and general liability costs line item on the statement of net position. The following is a summary of changes in the Health System's self-insurance liability for worker's compensation coverages for fiscal years 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Balance at October 1	\$ 1,820,000	\$ 1,910,000
Provisions for claims reported and claims incurred but not reported	709,711	493,594
Claims paid	<u>(539,711)</u>	<u>(583,594)</u>
Balance at September 30	<u>\$ 1,990,000</u>	<u>\$ 1,820,000</u>

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

The self-insurance liability for employee health coverage is included in the accrued payroll and employee benefits line item on the statement of net position. The following is a summary of changes in the Health System's self-insurance liability for employee health coverage for fiscal years 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Balance at October 1	\$ 2,388,747	\$ 2,230,585
Provisions for claims reported and claims incurred but not reported	20,690,944	18,650,074
Claims paid	<u>(20,641,097)</u>	<u>(18,491,912)</u>
Balance at September 30	<u>\$ 2,438,594</u>	<u>\$ 2,388,747</u>

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12. Blended Component Unit Reporting

The Condensed Combining Statement of Net Position, Condensed Combining Statement of Revenue, Expenses and Changes in Net Position and the Condensed Combining Statement of Cash Flows as of and for the years ended September 30, 2018 and 2017, are detailed below:

Condensed Combining Statement of Net Position, September 30, 2018:

	<u>SRHS</u>	<u>SRHSAS</u>	<u>Anesthesia Services, LLC</u>	<u>Eliminations</u>	<u>Combined</u>
Assets:					
Current assets	\$ 133,501,279	\$ 801,199	\$ 2,078,133	\$ (2,010,483)	\$ 134,370,128
Capital assets	177,521,882	3,200,596	-	-	180,722,478
Other assets	<u>34,568,749</u>	<u>4,167,475</u>	<u>-</u>	<u>(8,344,350)</u>	<u>30,391,874</u>
Total assets	345,591,910	8,169,270	2,078,133	(10,354,833)	345,484,480
Total deferred outflows of resources	<u>1,254,057</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,254,057</u>
Total assets and deferred outflows	<u>\$ 346,845,967</u>	<u>\$ 8,169,270</u>	<u>\$ 2,078,133</u>	<u>\$ (10,354,833)</u>	<u>\$ 346,738,537</u>
Current liabilities	\$ 53,372,330	\$ 150,000	\$ 1,108,605	\$ (1,179,040)	\$ 53,451,895
Long-term liabilities	<u>149,563,555</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>149,563,555</u>
Total liabilities	<u>202,935,885</u>	<u>150,000</u>	<u>1,108,605</u>	<u>(1,179,040)</u>	<u>203,015,450</u>
Net position:					
Net investment capital assets	102,112,404	3,200,596	-	-	105,313,000
Restricted	12,949,773	-	-	-	12,949,773
Unrestricted	<u>28,847,905</u>	<u>4,818,674</u>	<u>969,528</u>	<u>(9,175,793)</u>	<u>25,460,314</u>
Total net position	<u>143,910,082</u>	<u>8,019,270</u>	<u>969,528</u>	<u>(9,175,793)</u>	<u>143,723,087</u>
Total liabilities, deferred inflows and net position	<u>\$ 346,845,967</u>	<u>\$ 8,169,270</u>	<u>\$ 2,078,133</u>	<u>\$ (10,354,833)</u>	<u>\$ 346,738,537</u>

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Condensed Combining Statement of Revenues, Expenses, and Changes in Net Position, September 30, 2018:

	<u>SRHS</u>	<u>SRHSAS</u>	<u>Anesthesia Services, LLC</u>	<u>Eliminations</u>	<u>Combined</u>
Net patient service revenue, net	\$ 345,669,361	\$ -	\$ (125,604)	\$ -	\$ 345,543,757
Other revenues	<u>9,694,922</u>	<u>-</u>	<u>63,938</u>	<u>-</u>	<u>9,758,860</u>
Total revenues	<u>355,364,283</u>	<u>-</u>	<u>(61,666)</u>	<u>-</u>	<u>355,302,617</u>
Depreciation	19,990,184	11,152	-	-	20,001,336
Other operating expenses	<u>69,672,061</u>	<u>88,880</u>	<u>17,973</u>	<u>-</u>	<u>69,778,914</u>
Total operating expenses	<u>89,662,245</u>	<u>100,032</u>	<u>17,973</u>	<u>-</u>	<u>89,780,250</u>
Operating income	265,702,038	(100,032)	(79,639)	-	265,522,367
Nonoperating revenues (expenses)	(2,610,688)	282,478	-	(207,012)	(2,535,222)
Distributions	<u>-</u>	<u>(5,000,000)</u>	<u>-</u>	<u>5,000,000</u>	<u>-</u>
Change in net position	263,091,350	(4,817,554)	(79,639)	4,792,988	262,987,145
Net position, beginning of period	<u>(119,181,268)</u>	<u>12,836,824</u>	<u>1,049,167</u>	<u>(13,968,781)</u>	<u>(119,264,058)</u>
Net position, end of period	<u>\$ 143,910,082</u>	<u>\$ 8,019,270</u>	<u>\$ 969,528</u>	<u>\$ (9,175,793)</u>	<u>\$ 143,723,087</u>

Condensed Combining Statement of Cash Flows, September 30, 2018:

	<u>SRHS</u>	<u>SRHSAS</u>	<u>Anesthesia Services, LLC</u>	<u>Eliminations</u>	<u>Combined</u>
Net cash provided (used) by operating activities	\$ 44,588,895	\$ (28,879)	\$ (1,797,401)	\$ -	\$ 42,762,615
Net cash provided (used) by capital and related financing activities	5,000,000	(5,000,000)	-	-	-
Net cash used by capital and related financing activities	(36,849,845)	-	-	-	(36,849,845)
Net cash provided (used) by investing activities	<u>(4,006,537)</u>	<u>346,410</u>	<u>-</u>	<u>-</u>	<u>(3,660,127)</u>
Net increase (decrease) in cash and cash equivalents	8,732,513	(4,682,469)	(1,797,401)	-	2,252,643
Cash and cash equivalents, beginning of year	<u>65,706,975</u>	<u>5,483,668</u>	<u>1,944,014</u>	<u>-</u>	<u>73,134,657</u>
Cash and cash equivalents end of year	<u>\$ 74,439,488</u>	<u>\$ 801,199</u>	<u>\$ 146,613</u>	<u>\$ -</u>	<u>\$ 75,387,300</u>

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Condensed Combining Statement of Net Position, September 30, 2017:

	<u>SRHS</u>	<u>SRHSAS</u>	<u>Anesthesia Services, LLC</u>	<u>Eliminations</u>	<u>Combined</u>
Assets:					
Current assets	\$ 125,754,736	\$ 5,483,666	\$ 2,240,871	\$ (1,976,749)	\$ 131,502,524
Capital assets	170,624,836	3,211,749	-	-	173,836,585
Other assets	<u>34,677,607</u>	<u>4,231,409</u>	<u>-</u>	<u>(13,171,072)</u>	<u>25,737,944</u>
Total assets	331,057,179	12,926,824	2,240,871	(15,147,821)	331,077,053
Total deferred outflows of resources	<u>22,428,388</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,428,388</u>
Total assets and deferred outflows	<u>\$ 353,485,567</u>	<u>\$ 12,926,824</u>	<u>\$ 2,240,871</u>	<u>\$ (15,147,821)</u>	<u>\$ 353,505,441</u>
Current liabilities	\$ 45,520,594	\$ 90,000	\$ 1,191,704	\$ (1,179,040)	\$ 45,623,258
Long-term liabilities	<u>412,376,496</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>412,376,496</u>
Total liabilities	<u>457,897,090</u>	<u>90,000</u>	<u>1,191,704</u>	<u>(1,179,040)</u>	<u>457,999,754</u>
Total deferred inflows of resources	<u>14,769,745</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,769,745</u>
Net position:					
Net investment capital assets	89,259,990	3,211,749	-	-	92,471,739
Restricted	12,856,266	-	-	-	12,856,266
Unrestricted	<u>(221,297,524)</u>	<u>9,625,075</u>	<u>1,049,167</u>	<u>(13,968,781)</u>	<u>(224,592,063)</u>
	<u>(119,181,268)</u>	<u>12,836,824</u>	<u>1,049,167</u>	<u>(13,968,781)</u>	<u>(119,264,058)</u>
Total liabilities, deferred inflows and net position	<u>\$ 353,485,567</u>	<u>\$ 12,926,824</u>	<u>\$ 2,240,871</u>	<u>\$ (15,147,821)</u>	<u>\$ 353,505,441</u>

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Condensed Combining Statement of Revenues, Expenses, and Changes in Net Position, September 30, 2017:

	<u>SRHS</u>	<u>SRHSAS</u>	<u>Anesthesia Services, LLC</u>	<u>Eliminations</u>	<u>Combined</u>
Net patient service revenue, net	\$ 339,168,173	\$ -	\$ 2,075,476	\$ -	\$ 341,243,649
Other revenues	<u>11,487,957</u>	<u>-</u>	<u>2,071,401</u>	<u>(2,129,638)</u>	<u>11,429,720</u>
Total revenues	<u>350,656,130</u>	<u>-</u>	<u>4,146,877</u>	<u>(2,129,638)</u>	<u>352,673,369</u>
Depreciation	18,816,547	281,930	-	-	19,098,477
Other operating expenses	<u>324,549,011</u>	<u>234,288</u>	<u>3,380,649</u>	<u>(2,170,419)</u>	<u>325,993,529</u>
Total operating expenses	<u>343,365,558</u>	<u>516,218</u>	<u>3,380,649</u>	<u>(2,170,419)</u>	<u>345,092,006</u>
Operating income	7,290,572	(516,218)	766,228	40,781	7,581,363
Nonoperating revenues (expenses)	<u>(2,756,488)</u>	<u>(1,643,730)</u>	<u>-</u>	<u>1,065,825</u>	<u>(3,334,393)</u>
Change in net position	4,534,084	(2,159,948)	766,228	1,106,606	4,246,970
Net position, beginning of period	<u>(123,715,352)</u>	<u>14,996,772</u>	<u>282,939</u>	<u>(15,075,387)</u>	<u>(123,511,028)</u>
Net position, end of period	<u>\$ (119,181,268)</u>	<u>\$ 12,836,824</u>	<u>\$ 1,049,167</u>	<u>\$ (13,968,781)</u>	<u>\$ (119,264,058)</u>

Condensed Combining Statement of Cash Flows, September 30, 2017:

	<u>SRHS</u>	<u>SRHSAS</u>	<u>Anesthesia Services, LLC</u>	<u>Eliminations</u>	<u>Combined</u>
Net cash provided (used) by operating activities	\$ 42,337,735	\$ (144,288)	\$ 1,006,901	\$ -	\$ 43,200,348
Net cash provided (used) by capital and related financing activities	(29,455,606)	227,716	-	-	(29,227,890)
Net cash used by investing activities	<u>(17,942,975)</u>	<u>641,122</u>	<u>-</u>	<u>-</u>	<u>(17,301,853)</u>
Net increase (decrease) in cash and cash equivalents	(5,060,846)	724,550	1,006,901	-	(3,329,395)
Cash and cash equivalents, beginning of year	<u>70,767,821</u>	<u>4,759,118</u>	<u>937,113</u>	<u>-</u>	<u>76,464,052</u>
Cash and cash equivalents end of year	<u>\$ 65,706,975</u>	<u>\$ 5,483,668</u>	<u>\$ 1,944,014</u>	<u>\$ -</u>	<u>\$ 73,134,657</u>

13. Recent Reporting and Disclosure Developments

Accounting pronouncements issued not yet adopted

The Health System will adopt GASB No. 84, *Fiduciary Activities* in fiscal year 2020. This statement establishes criteria for identifying fiduciary activities of all state and local governments. Governments with activities meeting this criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. Fiduciary funds which should be reported include (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds.

The Health System will adopt GASB No. 87, *Leases* in fiscal year 2021. This statement will require recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It will establish a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee will be required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor will be required to recognize a lease receivable and deferred inflow of resources.

14. Risks and Uncertainties

Current economic and regulatory conditions

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

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

Other uncertainties

The United States District Court of the Southern District of Mississippi ("District Court") approved a settlement (the "Settlement") in a class-action lawsuit related to the Pension Plan in June 2016. That decision was appealed to the Fifth Circuit Court of Appeals ("Fifth Circuit") and oral arguments were heard on January 5, 2017. On July 27, 2017, the Fifth Circuit remanded the case to the District Court in an effort to provide additional consideration as it relates to the Settlement. On October 30, 2017 the Health System submitted its brief to the District Court and provided the additional Fifth Circuit-requested information. On January 22, 2018, a fairness hearing was held at the District Court for additional information requested by Fifth Circuit. On January 26, 2018, the District Court ruled in favor of the Settlement. This ruling was appealed to the Fifth Circuit. On June 5, 2018, the oral arguments were presented to the Fifth Circuit. On August 6, 2018, the Fifth Circuit entered its order confirming that the settlement was fair, reasonable, and adequate. The objectors have until December 17, 2018 to file Writ of Certiorari with the United States Supreme Court.

The Health System acknowledges, in the summer of 2016, questions were raised as to how an employed neurologist diagnosed the existence of multiple sclerosis, and how that physician treated those patients. The review of this matter is ongoing; however, this has resulted in the physician no longer being employed by the Health

Singing River Health System
Notes to Financial Statements

System. The Health System has notified the physician's patients and all other entities requiring notification. The Health System has received a limited number of claims and appropriate reserves are included in the financial statements related to this matter.

The Health System is also involved in various other litigation arising in the normal course of business. Based on consultations with legal counsel, management is of the opinion that these matters will be resolved without material adverse effect on the Health System's future financial position or the results of its future operations, to the extent determinable.

15. Fair Value Measurements

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

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

For assets carried at fair value, the following table provides fair value information as of September 30, 2018 and 2017:

Fair value measurements at September 30, 2018 using				
	Fair value at September 30, 2018	Quoted prices in active markets for identical assets and liabilities (Level 1)	Quoted prices for similar assets and liabilities (Level 2)	Significant unobservable inputs (Level 3)
<u>Investments by fair value level</u>				
U.S. Government obligations	\$ 11,814,038	\$ 11,814,038	\$ -	\$ -
Municipal obligations	1,748,080	-	1,748,080	-
Collateralized mortgage obligations	18,073,327	-	18,073,327	-
Mortgage-backed securities	2,642,116	-	2,642,116	-
Total investments by level	\$ 34,277,561	\$ 11,814,038	\$ 22,463,523	\$ -

The above schedule excludes guaranteed contracts measured at contract value of \$3,145,160, money market funds of \$16,880,503 and money market investments of \$3,617,390.

Singing River Health System
Notes to Financial Statements

Fair value measurements at September 30, 2017 using				
	Fair value at September 30, 2018	Quoted prices in active markets for identical assets and liabilities (Level 1)	Quoted prices for similar assets and liabilities (Level 2)	Significant unobservable inputs (Level 3)
<i>Investments by fair value level</i>				
U.S. Government obligations	\$ 11,858,902	\$ 11,858,902	\$ -	\$ -
Municipal obligations	2,039,183	-	2,039,183	-
Collateralized mortgage obligations	11,299,172	-	11,299,172	-
Mortgage-backed securities	3,420,400	-	3,420,400	-
Total investments by level	\$ 28,617,657	\$ 11,858,902	\$ 16,758,755	\$ -

The above schedule excludes guaranteed contracts measured at contract value of \$3,145,160, money market funds of \$15,019,762 and money market investments of \$3,610,184.

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

16. Investments in Uncombined Entities

SRHSAS holds a non-controlling 24.5% ownership interest in two ambulatory surgery centers, Mississippi Coast Endoscopy and Ambulatory Surgery Center, LLC ("MCEASC") and Ocean Springs Surgical and Endoscopy Center, LLC ("OSSEC"). SRHSAS accounts for the investments in uncombined entities using the equity method of accounting. SRHAS' investment in the uncombined entities was \$4,167,476 and \$4,231,409 at September 30, 2018 and 2017, respectively.

Component Unit
West Jackson County Utility District

Notes to the Financial Statements
For the year ended June 30, 2018

West Jackson County Utility District
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
For the Year Ended September 30, 2018

Note 1 – Summary of Significant Accounting Policies

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

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

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

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

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

West Jackson County Utility District
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
For the Year Ended September 30, 2018

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Estimated useful lives are as follows:

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

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

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

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

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

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

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

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

West Jackson County Utility District
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
For the Year Ended September 30, 2018

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

Pensions

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

West Jackson County Utility District
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
For the Year Ended September 30, 2018

Note 1 - Summary of Significant Accounting Policies (Continued)

Pensions (Continued)

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

Note 2 – Cash and Collateralized Deposits

The collateral for public entities' deposits in financial institutions, is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann, (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Note 3 – Restricted Assets

The District has established restricted savings accounts, which are maintained as required to cover contingencies for system maintenance, customer deposits, and debt service. The District is required by bond and note covenants to maintain reserves for depreciation, contingencies and debt service payments. Balances in these accounts at September 30, 2018, may be stated as follows:

Restricted Cash Balances:

Bond-related debt service and other reserves	\$ 2,972,273
Construction and special projects funds	2,561,753
Customer deposits	<u>557,075</u>
Total restricted assets	\$ <u>6,091,101</u>

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

Notes to Financial Statements
For the Year Ended September 30, 2018

Note 4 – Capital Assets

A summary of the District's changes in capital assets for the year ended September 30, 2018, is as follows:

Description	Balance 10/1/2017	Additions	Transfers/ Dispositions	Balance 9/30/2018
Office furniture and equipment	\$ 400,299	\$ 28,383	\$ 30,670	\$ 398,012
Buildings	543,030	-0-	4,500	538,530
Machinery and equipment	980,659	13,345	20,014	973,990
Vehicles	701,287	99,771	11,858	789,200
Utility systems	52,218,602	518,251	-0-	52,736,853
Land	67,439	-0-	-0-	67,439
Construction in progress	<u>4,689,310</u>	<u>7,121,279</u>	<u>324,843</u>	<u>11,485,746</u>
Totals	59,600,626	7,781,029	391,885	66,989,770
Less: Accumulated depreciation	<u>18,349,229</u>	<u>1,814,258</u>	<u>64,856</u>	<u>20,098,631</u>
Total capital assets	<u>\$41,251,397</u>	<u>\$ 5,966,771</u>	<u>\$ 327,029</u>	<u>\$46,891,139</u>

Note 5 – Construction in Progress

The District is currently in the process of expanding its service area and extending its utility system. Until such time as the projects are completed and placed in service, the costs of construction are reported as construction in progress on the statements of net position. The balance in this account includes actual construction costs, construction engineering fees, administrative expenses and interest costs. Details of the balances in this account at September 30, 2018 are as follows:

Project	
Wastewater Facilities Plan - Phase I	\$ 4,636,646
Wastewater Facilities Plan - Phase II	2,521,183
Water Facilities Plan - Phase III	3,200,952
West Jackson County Utility District Customer Service Center	1,100,330
Preliminary engineering and design costs for planned projects	<u>26,635</u>
Total Construction in progress	<u>\$11,485,746</u>

West Jackson County Utility District
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
For the Year Ended September 30, 2018

Note 6 – Long-Term Debt

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

Regions Bank as Trustee, Series 2013 Bond Issue – During the year ended September 30, 2013, the District secured financing in the form of a bond issue through Mississippi Development Bank in the amount of \$12,155,000 for the purpose of refinancing a portion of the existing USDA debt and acquiring additional funding for the expansion of the utility system. The loan agreement provides for annual principal payments and semi-annual interest payments with interest rates ranging between 1.0% and 5.0%, based on maturity date of the bonds. The bond issue has a maturity date of December 1, 2033. At September 30, 2018, the principal balance of the outstanding bonds totaled \$10,780,000.

Mississippi Department of Health, Water Facilities Plan Phase I – The District secured financing for the installation of new water mains, new automatic-read meters and abandonment of nine wells within the Gulf Hills area, through a loan from the Mississippi Department of Health in the amount of \$5,000,000. The project was completed in October, 2013 at a total loan amount of \$4,104,258. The note is payable \$21,025 monthly beginning March 15, 2014, bearing interest at 1.95% for a period of 235 months. At September 30, 2018, the principal balance of this note was \$3,263,324.

Mississippi Department of Health, Water Facilities Plan Phase II – The District secured financing from the Mississippi Department of Health in the amount of \$4,104,258 for the completion of various distribution upgrades and improvements in the Gulf Hills and Laura Acres areas of the system. The project was completed in September, 2014; and the loan was finalized in January, 2015. The note bears interest at 1.95% and is payable at \$21,025 per month for a period of 237 months. At September 30, 2018, the principal balance of this note was \$3,022,169.

Mississippi Department of Environmental Quality Revolving Loan Fund, Sewer System Extension Project – During the year ended September 30, 2001, the District entered into an agreement with the Mississippi Department of Environmental Quality for financing for the construction of an extension of the District's sewer system. The final loan totaled \$4,202,135 and is payable over a period of 236 months at \$21,398 per month. The note bears interest at 1.75%. At September 30, 2018, the principal balance of this note was \$1,208,847.

Mississippi Department of Health, Distribution Lines Replacements and Upgrades - On November 7, 2014, the District entered into a loan agreement with the Mississippi Department of Health for a project consisting of the replacement and/or upgrade of approximately 92,000 linear feet of water distribution lines. The project was completed the final loan agreement was signed in December, 2018. The final amount totaled \$3,100,852 bearing interest at 1.95%; payable in monthly installments of \$15,885 for a period of 235 months beginning February 1, 2019. As of September 30, 2018, the District had outstanding advances under the agreement totaling \$2,538,072.

West Jackson County Utility District
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
For the Year Ended September 30, 2018

Note 6 – Long-Term Debt (Continued)

Mississippi Department of Environmental Quality, Lemoyne Water Tank Project – The District has secured financing for the construction of an elevated water tank to serve as part of the water system for Lemoyne Boulevard and adjoining areas. The financing is provided through the Water Pollution Control Revolving Loan Fund Program. The original loan was approved for \$752,635 and the final loan amount totaled \$719,093. The note is payable \$3,658 monthly bearing interest at 1.95%, with a term of 237 months. At September 30, 2018, the principal balance of this note was \$413,527.

Mississippi Department of Health, Lemoyne Water Well and Distribution Project – The District has secured financing for the construction of water well and distribution system to serve customers in the Lemoyne Boulevard and adjoining areas. The original loan was approved for \$1,505,065 and the final loan amount totaled \$1,441,641. The note is payable \$7,334 monthly, bearing interest at 1.95%, with a term of 237 months. At September 30, 2018, the principal balance of this note was \$829,041.

Mississippi Department of Environmental Quality, North of I-10 Sewer Expansion Project The District secured financing for the installation of 57,000 feet of force main, pumping stations and other items necessary to serve approximately 300 customers. The final loan amount totaled \$2,230,228; payable \$12,245 monthly, bearing interest at 2.75%, with a term of 237 months. At September 30, 2018, the principal balance of this note was \$1,292,718.

Rural Development, Water System Revenue Bond, 2007 issue – On July 31, 2017, the District obtained financing from USDA, Rural Development in the amount of \$9,500,000, for the purchase of the utility systems of Coast Waterworks, Inc. and Magnolia Utilities, Inc. at a cost of \$8,500,000; and for the improvement of existing systems and the construction of new facilities. The bond bears interest at 4.125%, payable in monthly installments of \$42,845. At September 30, 2018, the principal balance of this note was \$7,664,958.

Rural Development, Water System Revenue Bond, 2008 issue – On March 18, 2009, the District obtained financing for the purchase of the TESI water system; and for improvements to and extension of the existing system in the area known as Old St. Martin through the issuance of \$882,000 in bonds through USDA, Rural Development. The bond bears interest at 4.125%, payable in monthly installments of \$4,117. At September 30, 2018, the principal balance of this note was \$767,929.

Mississippi Department of Environmental Quality, Wastewater Facility Improvement Project - On December 6, 2017, the District entered into a loan agreement with the Mississippi Department of Environmental Quality for a wastewater improvements facility plan project consisting of the installation of gravity and force main sewer lines and regional pump station. The loan is authorized in the amount of \$4,278,735 bearing interest at 1.75%; payable in monthly installments of \$21,366 for a period of 237 months beginning August 10, 2019, based on the initial repayment schedule per the loan agreement. At September 30, 2018, the District had outstanding advances under the agreement totaling \$2,098,400.

West Jackson County Utility District
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
For the Year Ended September 30, 2018

Note 6 – Long-Term Debt (Continued)

Mississippi Department of Environmental Quality, Sewer Facilities Plan - On October 3, 2014, the District entered into a loan agreement with the Mississippi Department of Environmental Quality for a project consisting of replacements, extensions, repairs and improvements to existing sewer systems. The loan is authorized in the amount of \$7,847,920 bearing interest at 1.75%; payable in monthly installments of \$39,189 for a period of 237 months based on the initial repayment schedule per the loan agreement. As of September 30, 2018, the District had outstanding advances under the agreement totaling \$3,791,306.

Changes in long-term debts for the year ended September 30, 2018, are summarized as follows:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
\$ <u>33,603,105</u>	\$ <u>5,350,889</u>	\$ <u>1,283,703</u>	\$ <u>37,670,291</u>	\$ <u>1,811,323</u>

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

<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,811,323	\$ 1,199,963	\$ 3,011,286
2020	2,195,148	1,279,617	3,474,765
2021	2,258,410	1,216,730	3,475,140
2022	2,322,640	1,151,625	3,474,265
2023	2,366,466	1,084,276	3,450,742
2024-2028	11,671,995	4,384,953	16,056,948
2029-2033	9,674,919	2,156,514	11,831,433
2034-2038	3,622,314	648,249	4,270,563
2039-2043	<u>1,747,076</u>	<u>128,141</u>	<u>1,875,217</u>
Totals	\$ <u>37,670,291</u>	\$ <u>13,250,068</u>	\$ <u>50,920,359</u>

Note 7 – Line of Credit

On October 24, 2017, the District renewed an unsecured line of credit with M & M Bank in the amount of \$2,000,000. The line bears interest at 3.25%, payable quarterly; maturing October 22, 2019. There were no advances outstanding as of September 30, 2018.

Note 8 – Ad Valorem Taxes, Jackson County

West Jackson County Utility District receives ad valorem taxes from Jackson County, Mississippi on an annual basis. Ad Valorem taxes received for the year ended September 30, 2018, totaled \$309,829.

West Jackson County Utility District
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
For the Year Ended September 30, 2018

Note 9 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

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

West Jackson County Utility District
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
For the Year Ended September 30, 2018

Note 9 – Defined Benefit Pension Plan (Continued)

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the District is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2018 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the State of Mississippi Legislature. The District's contributions to PERS for the fiscal years ending September 30, 2018, 2017 and 2016 were \$195,483, \$194,477 and \$181,573, respectively, which equaled the required contributions for each year.

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

At September 30, 2018, the District reported a liability of \$3,214,322, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2018, the District's proportion was .019325 percent; which was an increase of .000623% from its proportion as of the prior year. For the year ended September 30, 2018, the District recognized pension expense of \$387,741. At September 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 14,091	\$ 13,550
Net difference between projected and actual earnings on pension plan investments	-0-	63,896
Changes in assumptions	1,896	1,775
Changes in proportion and differences between the District's contributions and proportionate share of overall contributions	227,660	-0-
District contributions subsequent to the measurement date	<u>52,642</u>	<u>-0-</u>
Total	\$ <u>296,289</u>	\$ <u>79,221</u>

West Jackson County Utility District
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
For the Year Ended September 30, 2018

Note 9 – Defined Benefit Pension Plan (Continued)

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

Deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date totaling \$52,642 will be recognized as a reduction to the net pension liability in the year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ended September 30:	
2019	\$ 95,555
2020	47,970
2021	(17,182)
2022	<u>38,083</u>
Total	<u>\$ 164,426</u>

Actuarial assumptions. The collective total pension liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.25 – 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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

West Jackson County Utility District
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
For the Year Ended September 30, 2018

Note 9 – Defined Benefit Pension Plan (Continued)

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

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

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	27.00%	4.60%
International Equity	18.00	4.50
Emerging Markets Equity	4.00	4.75
Global	12.00	4.75
Fixed Income	18.00	0.75
Real Estate	10.00	3.50
Private Equity	8.00	5.10
Emerging Debt	2.00	2.25
Cash	<u>1.00</u>	0.00
Total	<u><u>100.00%</u></u>	

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

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

	<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 4,232,306	\$ 3,214,322	\$ 2,368,196

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

West Jackson County Utility District
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
For the Year Ended September 30, 2018

Note 10 – Sixteenth Section Lease

The District has a lease agreement with the Jackson County Board of Education for a portion of sixteenth section land. The lease term is forty years beginning in fiscal year 2000, with an annual minimum rental of \$495, based on 10% of the appraised value of the property. The agreement provides for reappraisal each eight years and an adjustment of rent based on 10% of the new appraised value. In 2016, the property was reappraised and a new annual rent of \$650 was established. For the years ended September 30, 2017 and 2016, the District was billed the prior amount of \$1,050 by the Jackson County School District, resulting in an overpayment of \$800. This overpayment will be applied by the Jackson County School District to the lease payments due for fiscal years 2018 and 2019. Future minimum payments under the remaining term of the lease are as follows:

Year Ended September 30,	Future Minimum Rentals
2019	\$ 500
2020	650
2021	650
2022	650
2023	650
2024-2028	3,250
2029-2033	3,250
2034-2038	3,250
2039	<u>650</u>
Totals	\$ <u>13,500</u>

Note 11– Compensated Absences

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

- Vacation:** Each employee will be paid up to 240 hours of accrued vacation time. Any unused time shall be transferred to the Mississippi Public Employees Retirement System, subject to the System's guidelines, providing the employee is vested at the time of separation.
- Sick Leave:** Employees are not compensated for unused sick leave. Any unused sick leave at the time of separation shall be transferred to the Mississippi Public Employees Retirement System, subject to the System's guidelines, providing the employee is vested at the time of separation.

West Jackson County Utility District
(A Component Unit of Jackson County, Mississippi)
Notes to Financial Statements
For the Year Ended September 30, 2018

Note 12 – Commitments and Contingencies

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

Note 13 – Subsequent Events

Management has evaluated subsequent events through April 26, 2019, the date the financial statements were issued. The following subsequent event was identified:

On December 21, 2018, the District entered into the final loan agreement for a project financed through the Mississippi Department of Health, consisting of the replacement and/or upgrade of approximately 92,000 linear feet of water distribution lines. The final loan amount totaled \$3,100,852, bearing interest at \$1.95%; payable in monthly installments of \$15,885 for a period of 235 months beginning February 1, 2019.

Component Unit
Jackson County Emergency Communications District

Notes to the Financial Statements
For the year ended June 30, 2018

JACKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
(A Component Unit of Jackson County, Mississippi)
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

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

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

Deposits and Investments

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

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

Receivables and Payables

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

JACKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
(A Component Unit of Jackson County, Mississippi)
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Prepaid Items

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

Furniture, Fixtures, and Equipment

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

Compensated Absences

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

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

Pensions

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

JACKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
(A Component Unit of Jackson County, Mississippi)
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position

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

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

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

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The District has a deferred inflow which is presented as a deferred inflow of resources related to pension obligations.

Use of Estimates

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

JACKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
(A Component Unit of Jackson County, Mississippi)
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Control

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

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

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

NOTE 2. DEPOSITS AND INVESTMENTS

State law requires that all deposits in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limits be 105% collateralized by U.S. Government obligations or by state municipal obligations that have a fair value of not less than the principal amount of deposits. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-1-5-5 Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer.

Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the FDIC. The District's deposits were fully insured or collateralized as required by statutes at September 30, 2018.

At year-end, the carrying amount of the District's deposits was \$597,620, and the respective bank balances totaled \$602,986. The bank balance is categorized as follows:

Amount collateralized with securities held in the State of Mississippi collateral pool on behalf of the District	\$ 352,986
Amounts held at various financial institutions covered under Federal Depository Insurance	250,000
	<u>\$ 602,986</u>

NOTE 3. CONCENTRATION OF CREDIT RISK

Custodial credit risk is the risk that in the event of the failure of a financial institution, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the District. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the District as indicated at Note 2.

JACKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
(A Component Unit of Jackson County, Mississippi)
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2018

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable represents receivables from telephone companies based upon fees as approved in enabling legislation. For the year ended September 30, 2018, the accounts receivable balance was \$198,838. The District considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established.

NOTE 5. FURNITURE, FIXTURES, AND EQUIPMENT

Furniture, fixtures, and equipment consisted of the following at September 30, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets:				
Furniture and fixtures	\$ 465,916	7,552	-	473,468
Auto	26,642	-	-	26,642
Communications system	<u>12,015,160</u>	<u>563,496</u>	<u>(7,770)</u>	<u>12,570,886</u>
Total capital assets	<u>12,507,718</u>	<u>571,048</u>	<u>(7,770)</u>	<u>13,070,996</u>
Less accumulated depreciation for:				
Furniture and fixtures	304,020	35,675	-	339,695
Auto	26,642	-	-	26,642
Communications system	<u>10,355,597</u>	<u>406,091</u>	<u>(3,238)</u>	<u>10,758,450</u>
Total accumulated depreciation	<u>10,686,259</u>	<u>441,766</u>	<u>(3,238)</u>	<u>11,124,787</u>
Total capital assets, net	<u>\$ 1,821,459</u>	<u>129,282</u>	<u>(4,532)</u>	<u>1,946,209</u>

Depreciation expense for the year ended September 30, 2018 was \$441,766.

NOTE 6. LONG-TERM DEBT AND OTHER OBLIGATIONS

The following is a summary of changes in long-term debt transactions of the District for the year ended September 30, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 30,678	1,051	-	31,728	15,864
Capital Lease Obligations	<u>576,817</u>	<u>-</u>	<u>(459,106)</u>	<u>117,711</u>	<u>117,711</u>
Total Long-Term Liabilities	<u>\$ 607,495</u>	<u>1,051</u>	<u>(459,106)</u>	<u>149,439</u>	<u>133,575</u>

Capital Lease Obligation

The District has entered into a capital lease agreement as of September 30, 2018. The capital lease agreement is for a communications tower. The scheduled minimum lease payment under the agreement includes interest of 4.07%. The capital lease obligation matures in December 2018. The cumulative amount of assets acquired under the capital lease described above amounted to \$3,632,070 with \$2,481,915 of accumulated depreciation as of September 30, 2018,

JACKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
(A Component Unit of Jackson County, Mississippi)
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2018

NOTE 6. LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

The future minimum lease obligation and the net present value of these minimum lease payments as of September 30, 2018 were as follows:

2019	<u>118,910</u>
Less amount representing interest	<u>1,198</u>
Present value of minimum payments	<u>\$ 120,108</u>

NOTE 7. PENSION PLAN

Defined Benefit Pension Plan

Plan Description

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

Benefits Provided

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

JACKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
(A Component Unit of Jackson County, Mississippi)
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2018

NOTE 7. PENSION PLAN (continued)

Contributions

PERS members are required to contribute 9.00% of their annual covered salary and the Jackson County Emergency Communications District is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2018 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature.

The Jackson County Emergency Communications District's contribution to PERS for the year ended September 30, 2018, 2017, and 2016 was \$22,948, \$21,563, and \$20,741 respectively, which equal to the required contributions for each year.

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

At September 30, 2018, the District reported a liability of \$365,925 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018 the District's proportion was 0.0022%, which was an increase of 0.0001% from its proportion measured as of June 30, 2017.

For the year ended September 30, 2018, the District recognized pension expense of \$48,099. At September 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 1,603	1,543
Changes of assumptions	214	202
Net difference between projected and actual earnings on pension plan investments	-	7,273
Changes in proportion and differences between District contributions and proportionate share of contributions	20,976	-
District contributions subsequent to the measurement date	6,278	-
Total	<u>\$ 29,071</u>	<u>9,018</u>

\$6,278 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

JACKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
(A Component Unit of Jackson County, Mississippi)
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2018

NOTE 7. PENSION PLAN (continued)

Year ended September 30, :

2019	\$ 15,379
2020	4,993
2021	(4,948)
2022	(1,649)
2023	-
Thereafter	-
Total	\$ 13,775

Actuarial assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75-18.50%, 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 2022 with males rates set forward one year.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018, are summarized in the following table:

Asset class	Target Allocation	Long-term expected real rate of return
U.S. Broad	27.00 %	4.60
International equity	18.00	4.50
Emerging markets equity	4.00	4.75
Global	12.00	4.75
Fixed income	18.00	0.75
Real assets	10.00	3.50
Private equity	8.00	5.10
Emerging Debt	2.00	2.25
Cash	1.00	-
Total	100.00 %	

JACKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
(A Component Unit of Jackson County, Mississippi)
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2018

NOTE 7. PENSION PLAN (continued)

Discount Rate

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

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

The following table presents the net pension liability of the cost-sharing plan, calculated using the discount rate of 7.75%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 481,819	365,925	269,603

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. DEFERRED COMPENSATION PLAN

Employees of the District are eligible to participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code (IRC) Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

Under the deferred compensation plan, which is available to all employees of the District, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portions until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency. The deferred compensation plan is administered by the Board of Trustees of the Public Employees Retirement System of Mississippi. The plan's assets are held in trust by the Public Employees Retirement System of Mississippi for the exclusive benefit of the participants and beneficiaries of the plan and are not subject to the general creditors of the District. As a result, the plan's assets are not reflected in an agency fund of the District.

There are no employees participating in the plan as of September 30, 2018.

JACKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
(A Component Unit of Jackson County, Mississippi)
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2018

NOTE 9. SUBSEQUENT EVENTS

Events that occur after the statement of net position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management of Jackson County Emergency Communications District evaluated the activity of the district through January 14, 2019, (the date the financial statements were available to be issued).

Component Unit
Jackson County Port Authority

Notes to the Financial Statements
For the year ended June 30, 2018

JACKSON COUNTY PORT AUTHORITY
(A Component Unit of Jackson County, Mississippi)
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Jackson County Port Authority was created in 1956 under Chapter 199 of the Laws of the State of Mississippi. The Port Authority was given exclusive jurisdiction over all improvements resulting from the acts (harbors, waters, vessels, etc.) for the purpose of importing and exporting goods under a tariff approved by the Federal Maritime Commission. The Port Authority is also charged with the operations of an industrial water supply system, a water pollution control system and a water cooling lake. The Port Authority is comprised of Commissioners appointed by the Jackson County Board of Supervisors and the Governor of the State of Mississippi. The Commissioners set rules and regulations regarding policies of the Port Authority, but day-to-day operations are carried out by a Port Director and staff.

The Jackson County Port Authority is a component unit of Jackson County, Mississippi, the primary government. A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate. The Jackson County Port Authority has significant operational and functional relationships with Jackson County, Mississippi.

The financial statements of the Port Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units, hereinafter referred to as GAAP (generally accepted accounting principles). The accepted standard-setting body of establishing governmental accounting and financial reporting principles is GASB (the Governmental Accounting Standards Board).

The Port Authority does not have any component units as defined by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an Amendment of GASB Statement No. 14*.

B. Basis of Presentation

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

Financial statements of the reporting entity are organized into funds each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows/inflows, liabilities, net position/fund equity, revenues, and expenditures/expenses.

JACKSON COUNTY PORT AUTHORITY
(A Component Unit of Jackson County, Mississippi)
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The Port Authority reports the difference between its governmental fund assets and deferred outflows of resources, and its liabilities and deferred inflows of resources, as fund balance.

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The proprietary funds are classified as enterprise funds.

Fiduciary funds are those used to account for funds held by the Port Authority in trust for others that cannot be used to support the Port Authority's programs.

Funds are organized as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds with the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Port Authority or meets the following criteria:

- ◆ Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are a least 10 percent of the corresponding total for all funds of that category or type, and
- ◆ The same element of the individual governmental fund or enterprise fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- ◆ In addition, any other governmental or enterprise fund that the Port Authority believes is particularly important to financial statement users may be reported as a major fund.

The Port Authority reports the following major funds:

Major Governmental Funds

- ◆ Gross Receipts Operating Fund is the general operating fund of the Port Authority. It is used to account for all financial resources except those required to be accounted for in another fund.
- ◆ Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds). During the year ended September 30, 2018, the Port Authority had two capital project funds: the Harbor Maintenance Fund and the Rail, Wood Pellet Fund.

JACKSON COUNTY PORT AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Major Enterprise Funds

- ◆ Bayou Casotte Water System fund accounts for operations of the Port Authority's water distribution system.
- ◆ Singing River Island fund accounts for operations of the Singing River Island.
- ◆ Industrial Parks fund accounts for operations of the Industrial Parks.
- ◆ Black Creek Cooling Facility fund accounts for operations of the Port Authority's cooling facility.

The Port Authority reports the following non-major funds:

Non-Major Governmental Funds

- ◆ Special revenue funds are used to account for and report the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes, (other than debt service or capital projects) as follows:
 - ◇ Port Day Fund
 - ◇ Transportation Security Administration Round 2 Fund
 - ◇ Transportation Security Administration Round 3 Fund
- ◆ Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest and related costs, other than enterprise debt. Currently, there is one debt service fund, the Bond Redemption fund.

In addition, the Port Authority reports the following fund types:

Fiduciary Funds

- ◆ The Mississippi Corps of Engineers fund is a private-purpose trust fund which is used to report all other trust arrangements under which principal and/or income benefit individuals, private organizations or other governments. The purpose of the fund is to make improvements to the channel. Angola LNG will be making the improvements and the Jackson County Port Authority is the channel sponsor.

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

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and unearned revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

JACKSON COUNTY PORT AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Port Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Intergovernmental aids and grants are recognized as revenues in the period the Port Authority is entitled to the resources and the amounts are available. Amounts owed to the Port Authority which are not available are recorded as receivables and unearned revenues. Amounts received prior to the entitlement period are also recorded as unearned revenues.

The Port Authority reports unearned revenues on its governmental funds balance sheet. Unearned revenues arise from taxes levied in the current year which are for subsequent year's operations. For governmental fund financial statements, unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received before the Port Authority has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Port Authority has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Proprietary and fiduciary fund financial statements (other than agency funds) are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note.

The enterprise funds follow all pronouncements of the Governmental Accounting Standards Board. The proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Deposits

The Port Authority deposits excess funds in the financial institution selected by the Board of Commissioners. The Port Authority considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents. All cash and cash equivalents are reported at their carrying amounts, which reasonably approximates fair value.

Receivables

All trade receivables are reported net of an allowance for uncollectible, where applicable. Unbilled charges are accrued as receivables and revenue at September 30, 2018.

JACKSON COUNTY PORT AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Prepaid Items

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

Capital Assets

General capital assets are those capital assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The Port Authority reports these assets in the governmental activities column of the government-wide statement of net position but does not report these assets in the governmental fund financial statements. Capital position utilized by enterprise funds are reported both in the business-type activities column of the government-wide statement of net position and in the enterprise funds' statement of net position.

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the Port Authority's historical records of necessary improvements and replacement. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Water systems	30-35 years
Machinery and equipment	5-10 years
Improvements	5-35 years
Other infrastructures	10-50 years
Vehicles	5 years

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The Port Authority has a deferred inflow which is presented as a deferred inflow of resources related to pension obligations and unavailable revenue. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

JACKSON COUNTY PORT AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

Vacation benefits and sick leave are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Port Authority will compensate the employees for the benefits through paid time off or some other means.

All compensated absences liabilities include salary-related payments, where applicable.

The Port Authority accrues accumulated unpaid vacation leave at the end of the fiscal year. The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated liability in each individual fund at the fund reporting level. Governmental funds report the compensated liability at the fund reporting level only "when due". The non-current portion (the amount estimated to be used beyond the next fiscal year) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

The Port Authority's policy allows employees to accumulate unused sick leave on an unlimited basis and vacation leave up to two years before reaching their vacation 'cap'. Upon termination, any accumulated vacation will be paid to the employee up to 240 hours. Any earned vacation hours in excess of 240 hours is certified and sent to the Public Employees Retirement System (PERS). Sick leave is not paid upon termination, however, any unused sick time is also certified and sent to PERS.

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year. Capital leases are recognized as a liability in the governmental fund financial statements when due.

Debt Premiums, Discounts and Issuance Costs

On the government-wide statement of net position and the proprietary fund type statement of net position, debt premiums and discounts are netted against debt payable and debt issuance costs are recognized as an outflow of resources in the period incurred. On the government-wide and proprietary fund type statement of activities, unamortized debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method.

At the governmental fund reporting level, debt fund reporting level, debt premiums and discounts are reported as other financing sources and uses, separately from the face amount of the debt issued. Debt issuance costs are reported as debt service expenditures.

JACKSON COUNTY PORT AUTHORITY
(A Component Unit of Jackson County, Mississippi)
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pensions

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

Net Position/Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

In the Government-Wide financial statements, the difference between the Port Authority's total assets and deferred outflows of resources, total liabilities and deferred inflows of resources represents net position. Net position displays three components:

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

Generally, governmental fund balances represent the difference between assets and deferred outflows of resources, liabilities and deferred inflows of resources. Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- ◆ Nonspendable - Includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.
- ◆ Restricted - Includes amounts that have constraints placed upon the use of the resources either by external party or imposed by law through a constitutional provision or enabling legislation.
- ◆ Committed - Includes amounts that can be used only for specific purposes pursuant to constraints imposed by a formal action of the Board of Commissioners as approved in the board minutes.

JACKSON COUNTY PORT AUTHORITY
 (A Component Unit of Jackson County, Mississippi)
 NOTES TO BASIC FINANCIAL STATEMENTS
 September 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- ◆ Assigned - Includes amounts that are constrained by the Port Authority's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed.
- ◆ Unassigned - Is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

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

The Port Authority has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

Revenue Source:	Legal Restrictions in Use of Funds:
Grant revenue from Jackson County, MS	Channel dredging and other operations
Grant revenue from the State of Mississippi	Capital improvements
Lease income from World Marine, LLC	Berth dredging
Grant revenue from United States Department of Transportation, Maritime Administration	Capital improvements

For the year ended September 30, 2018, the Port Authority complied, in all material respects, with these revenue restrictions.

The Port Authority does not have a minimum fund balance policy.

Revenues

Substantially all governmental fund revenues are accrued. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASB Statement No. 33. In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and unearned revenue by the recipient.

Expenditures

Expenditures are recognized when the related fund liability is incurred.

JACKSON COUNTY PORT AUTHORITY
(A Component Unit of Jackson County, Mississippi)
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Internal Activity

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund from which expenditures were initially made that are properly applicable to another fund are recorded as expenditures in the fund that is reimbursed. Outstanding reimbursements are recorded as due to or from other funds. Net receivables or payables from other funds are reported as internal balances in the government-wide statement of net position.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Use of Estimates

The preparation of the financial statement in conformity with account principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2. DEPOSITS

State law requires that all deposits in excess of FDIC insurance limits be 105% collateralized by U.S. Government obligations or by state municipal obligations that have a market value of not less than the principal amount of the deposits. The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State legislature and is governed by Section 27-1-5-5 Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer.

Financial Institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

At year-end, the carrying amount of the Port Authority's deposits was \$30,943,844, and the respective bank balances totaled \$30,919,510.

A. Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of the failure of a financial institution, the Port Authority will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Port Authority does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the Port Authority. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the Port Authority.

JACKSON COUNTY PORT AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2018

NOTE 2. DEPOSITS (continued)

The Port Authority's deposits were fully collateralized as required by statutes at September 30, 2018.

The table presented below is a summary of restricted cash at September 30, 2018:

	<u>Restricted Cash</u>
Bayou Casotte Water System - Cash held in escrow	\$ 33,504
Harbor Maintenance	7,739,631
Rail, Wood Pellet	7,589,254
Unemployment Fund Reserve	<u>15,000</u>
Total restricted cash	\$ <u>15,377,389</u>

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 2018 consisted of the following:

	<u>Accounts Receivable</u>	<u>Allowance for Uncollectible Accounts</u>	<u>Net Accounts Receivable</u>
Governmental Activities:			
Terminal Operations	\$ 4,069,178	266,190	3,802,988
Total governmental	<u>4,069,178</u>	<u>266,190</u>	<u>3,802,988</u>
Business-type Activates:			
Bayou Casotte Water Supply	1,051,856	383,267	668,589
Singing River Island	26,688	-	26,688
Industrial Parks	<u>148,965</u>	<u>4,727</u>	<u>144,238</u>
Total enterprise	<u>1,227,509</u>	<u>387,994</u>	<u>839,515</u>
Total primary government	\$ <u>5,296,687</u>	<u>654,184</u>	<u>4,642,503</u>

JACKSON COUNTY PORT AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2018

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018 is summarized in the following table.

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 4,595,659	-	-	4,595,659
Construction in progress	6,491,698	4,148,793	(273,403)	10,367,088
Total capital assets not being depreciated	11,087,357	4,148,793	(273,403)	14,962,747
Capital assets being depreciated:				
Infrastructure	49,993,436	963,104	-	50,956,540
Buildings and improvements	63,104,792	-	-	63,104,792
Furniture fixtures and other equipment	1,749,611	16,480	-	1,766,091
Total capital assets being depreciated	114,847,839	979,584	-	115,827,423
Total governmental activities capital assets	125,935,196	5,128,377	(273,403)	130,790,170
Less accumulated depreciation for:				
Infrastructure	24,835,825	4,386,847	-	29,222,672
Buildings and improvements	45,764,125	3,528,738	-	49,292,863
Furniture fixtures and other equipment	1,571,622	75,067	-	1,646,689
Total accumulated depreciation	72,171,572	7,990,652	-	80,162,224
Governmental activities capital assets, net	53,763,624	(2,862,275)	(273,403)	50,627,946
Business-type activities:				
Capital assets not being depreciated:				
Land	1,261,261	-	-	1,261,261
Construction in progress	-	1,486,159	-	1,486,159
Total capital assets not being depreciated	1,261,261	1,486,159	-	2,747,420
Capital assets being depreciated:				
Bayou Casotte Water Supply System	53,701,295	15,653	-	53,716,948
Black Creek Cooling Facility	4,043,511	-	-	4,043,511
Industrial Parks	834,922	-	-	834,922
Singing River Island	184,884	-	-	184,884
Total capital assets being depreciated	58,764,612	15,653	-	58,780,265
Total business-type activities capital assets	60,025,873	1,501,812	-	61,527,685
Less accumulated depreciation for:				
Buildings and improvements	21,571,311	820,000	-	22,391,311
Furniture fixtures and other equipment	1,697,982	156,435	-	1,854,417
Infrastructure	4,250,366	887,707	-	5,138,073
Total accumulated depreciation	27,519,659	1,864,142	-	29,383,801
Business-type activities capital assets, net	32,506,214	(362,330)	-	32,143,884
Total primary government	\$ 86,269,838	(3,224,605)	(273,403)	82,771,830

JACKSON COUNTY PORT AUTHORITY
(A Component Unit of Jackson County, Mississippi)
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2018

NOTE 4. CAPITAL ASSETS (continued)

During the fiscal year ended September 30, 2018 depreciation expense was charged as follows:

Governmental activities:

Terminal operations	\$ 7,990,652
Total governmental activities depreciation expense	\$ 7,990,652

Business-type activities:

Bayou Casotte Water System	\$ 1,602,597
Singing River Island	34,027
Industrial Parks	39,539
Black Creek Cooling Facility	187,979
Total business-type activities depreciation expense	\$ 1,864,142

As of September 30, 2018, the Port Authority has active construction projects with total expenditures accumulated commitments as follows:

Project	Spent to September 30, 2018	Remaining Commitment
Rail, Wood Pellet	\$ 10,367,088	8,003,423
Construction on New Distribution Header Pipe	26,503	281,855
Design New Disc Filter #8 at Bayou Casotte Waterway System	1,459,656	593,072
Total	\$ 11,853,247	8,878,350

JACKSON COUNTY PORT AUTHORITY
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NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2018

NOTE 5. LONG-TERM LIABILITIES

The Port Authority's long-term liabilities are segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities. Long-term liability activity for the year ended September 30, 2018 is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Other liabilities:					
Compensated absences	\$ 171,601	-	(1,406)	170,195	92,661
Total governmental activities long-term liabilities	<u>\$ 171,601</u>	<u>-</u>	<u>(1,406)</u>	<u>170,195</u>	<u>92,661</u>
Business-type activities:					
Bonds and notes payable:					
Bonds payable	\$ 36,840,000	-	-	36,840,000	-
Less unamortized discount	(94,725)	-	13,532	(81,193)	-
Total bonds and notes payable	<u>36,745,275</u>	<u>-</u>	<u>13,532</u>	<u>36,758,807</u>	<u>-</u>
Other liabilities:					
Compensated absences	52,441	11,069	-	63,510	-
Total business-type activities long-term liabilities	<u>\$ 36,797,716</u>	<u>11,069</u>	<u>13,532</u>	<u>36,822,317</u>	<u>-</u>

A. General Obligation Bonds

Series 1994 Refunding – During November 1994, \$12,840,000 of General Obligation Bonds were issued to advance refund the Series A and Series B revenue bonds for the Bayou Casotte Water System (an enterprise fund). The bonds are carried on the balance sheet of the fund. The interest rates are variable and subject to change pursuant to a remarketing agreement. Chevron USA, Inc. has guaranteed the payment of principal and interest on these bonds.

Associated with this bond is an unamortized discount arising from the refunding. This discount is being amortized over the remaining life of the refunded bonds using the straight-line method. The detail balance of this General Obligation Bond as of September 30, 2018 is as follows:

Bonds Payable	\$ 12,840,000
Unamortized discount	(81,193)
	<u>\$ 12,758,807</u>

JACKSON COUNTY PORT AUTHORITY
(A Component Unit of Jackson County, Mississippi)
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2018

NOTE 5. LONG-TERM LIABILITIES (continued)

B. Special Obligation Bonds

Series 2009 Special Obligation - During December 2009, \$24,000,000 of Special Obligation Bonds were issued to provide funds to expand and improve the industrial water supply system established by Jackson County and the Port Authority and to provide water to various industries in Jackson County. The bonds are carried on the balance sheet of the Bayou Casotte fund. The interest rates are variable and subject to change pursuant to a remarketing agreement. Chevron USA, Inc. has guaranteed the payment of principal and interest on these bonds. In case of default by Chevron USA, Inc., the Port Authority is responsible for the payment of principal and interest of this debt from water revenues.

Annual debt service requirements to maturity for the general and special obligation bonds are as follows:

	Business-type Activities	
	Principal	Interest*
Amounts due fiscal year ending September 30,		
2019	\$ -	426,322
2020	-	426,322
2021	-	426,322
2022	-	426,322
2023	-	426,322
2024 - 2039	<u>36,840,000</u>	<u>3,122,722</u>
Total	<u>\$ 36,840,000</u>	<u>5,254,332</u>

* Interest is estimated based on rates at September 30, 2018 for both the 1994 Refunding bonds and the 2009 Special Obligation bonds.

JACKSON COUNTY PORT AUTHORITY
(A Component Unit of Jackson County, Mississippi)
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2018

NOTE 6. INTERFUND BALANCES

Interfund balances as of September 30, 2018 are as follows:

DUE FROM:	DUE TO:								Total
	Governmental Activities				Business-type Activities				
	General Fund	Harbor Maint.	Rail, Wood Pellet	Other Non-Major Funds	Bayou Casotte Water System	Singing River Island	Industrial Parks	Black Creek Cooling Facility	
Governmental Activities:									
General Fund	\$ 63,055	-	-	12,887	-	-	31,747	-	107,689
Harbor Maintenance	-	-	802,875	-	-	-	-	-	802,875
Other Non-Major Funds	8,869	-	-	-	-	-	-	-	8,869
Total Governmental activities	71,924	-	802,875	12,887	-	-	31,747	-	919,433
Business-type Activities:									
Bayou Casotte Water System	22,483	-	-	-	-	-	-	-	22,483
Singing River Island	151,145	-	-	-	-	-	-	-	151,145
Industrial Parks	-	-	-	-	400	-	-	-	400
Black Creek Cooling Facility	35,550	-	-	-	-	-	-	-	35,550
Total Business-type activities	209,178	-	-	-	400	-	-	-	209,578
Total primary government	\$ 281,102	-	802,875	12,887	400	-	31,747	-	1,129,011

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

JACKSON COUNTY PORT AUTHORITY
(A Component Unit of Jackson County, Mississippi)
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2018

NOTE 7. INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2018 are as follows:

TRANSFERS OUT:								
TRANSFERS IN:	Governmental Activities			Business-type Activities				Total
	General Fund	Harbor Maint.	Rail, Wood Pellet	Bayou Casotte Water System	Singing River Island	Industrial Parks	Black Creek Cooling Facility	
Governmental Activities:								
General Fund	\$ -	-	-	55,888	150,000	2,000	52,418	260,306
Rail, Wood Pellet	-	<u>767,822</u>	-	-	-	-	-	<u>767,822</u>
Total	<u>\$ -</u>	<u>767,822</u>	<u>-</u>	<u>55,888</u>	<u>150,000</u>	<u>2,000</u>	<u>52,418</u>	<u>1,028,128</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires collecting to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

NOTE 8. PENSIONS

A. Defined Benefit Pension Plan

Plan Description

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

JACKSON COUNTY PORT AUTHORITY
(A Component Unit of Jackson County, Mississippi)
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2018

NOTE 8. PENSIONS (continued)

Benefits Provided

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

Contributions

PERS members are required to contribute 9.00% of their annual covered salary and the Port Authority is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2018 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature.

The Port Authority's contribution to PERS for the years ended September 30, 2018, 2017, and 2016 were \$462,097, \$463,312, and \$460,853 respectively, which equal to the required contributions for each year.

JACKSON COUNTY PORT AUTHORITY
(A Component Unit of Jackson County, Mississippi)
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2018

NOTE 8. PENSIONS (continued)

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

At September 30, 2018, the Port Authority reported a liability of \$8,316,486 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Port Authority's proportion of the net pension liability was based on a projection of the Port Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the Port Authority's proportion was 0.05 percent, which was unchanged from its proportion measured as of June 30, 2017.

For the year ended September 30, 2018, the Port Authority recognized pension expense of \$1,142,156. At September 30, 2018, the Port Authority 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	\$ 36,459	35,058
Changes of assumptions	4,908	4,593
Net difference between projected and actual earnings on pension plan investments	-	165,320
Changes in proportion and differences between Port Authority contributions and proportionate share of contributions	236,237	-
Port Authority contributions subsequent to the measurement date	104,671	-
Total	\$ 382,275	204,971

\$104,671 reported as deferred outflows of resources related to pensions resulting from Port Authority contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ending September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30,:	
2019	\$ 344,634
2020	(39,114)
2021	(195,487)
2022	(37,400)
2023	-
Thereafter	-
Total	\$ 72,633

JACKSON COUNTY PORT AUTHORITY
(A Component Unit of Jackson County, Mississippi)
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2018

NOTE 8. PENSIONS (continued)

Actuarial assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75-18.50%, 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 2022 with males rates set forward one year.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018, are summarized in the following table:

Asset class	Target Allocation	Long-term expected real rate of return
U.S. Broad	27.00 %	4.60
International equity	18.00	4.50
Emerging markets equity	4.00	4.75
Global	12.00	4.75
Fixed income	18.00	0.75
Real assets	10.00	3.50
Private equity	8.00	5.10
Emerging debt	2.00	2.25
Cash	1.00	-
Total	<u>100.00 %</u>	

Discount Rate

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

JACKSON COUNTY PORT AUTHORITY
(A Component Unit of Jackson County, Mississippi)
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2018

NOTE 8. PENSIONS (continued)

Sensitivity of the Port Authority's proportionate share of the net pension liability to changes in the discount rate

The following table presents the net pension liability of the cost-sharing plan, calculated using the discount rate of 7.75%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Port Authority's proportionate share of the net pension liability	\$ 10,950,425	8,316,486	6,127,334

Pension plan fiduciary net position

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

NOTE 9. COMMITMENTS AND CONTINGENCIES

A. Federal Grants

The Port Authority participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed by management to be material.

B. Litigation

The Port Authority is party to legal proceedings that occur in the normal course of operations. Estimates of ultimate outcome or liability, if any, is not possible at the present time. However, the Port Authority's legal counsel believes that ultimate liability resulting from lawsuits will not have a material adverse effect on the financial condition of the Port Authority.

C. Risk Management

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

D. Operating Leases

The Port Authority operates several leases that are no money leases. These leases are meant to benefit the City of Pascagoula, Jackson County, Mississippi, and the Port Authority. The Port Authority cannot sublease these leases.

JACKSON COUNTY PORT AUTHORITY
(A Component Unit of Jackson County, Mississippi)
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2018

NOTE 10. OPERATING LEASES IN STATEMENTS OF LESSOR

The Port Authority leases various properties to several lessees during the year. These lease agreements are classified as operating leases for accounting purposes and paid on a monthly, quarterly, and yearly basis with corresponding renewal options. The leased properties have a cost of \$48,726,047 with a carrying value of \$19,386,351.

The future minimum lease rentals are as follows:

Year ending September 30,	<u>Minimum lease rental</u>
2019	\$ 1,329,681
2020	987,614
2021	848,592
2022	848,592
2023	<u>823,593</u>
Total	<u>\$ 4,838,072</u>

NOTE 11. RELATED PARTY TRANSACTIONS

Jackson County, Mississippi, of which the Port Authority is a component unit, has issued general long-term debt under the Port Act under Title 59 of the Mississippi Code of 1972. There was one general obligation bond and one special obligation bond outstanding as of September 30, 2018, with a combined balance of \$36,758,807. All of this debt is administered by the Jackson County Chancery Clerk's office, and all payments thereon are provided by Jackson County with the exception of the \$12,840,000 bonds payable in the business-type funds. Payment of this debt will be managed by Chevron when due.

NOTE 12. INDIVIDUAL FUND FINANCIAL STATEMENTS

The financial statements for the Bayou Casotte Industrial Water System and the Black Creek Cooling Facility – Operating Fund were issued individually to comply with provisions of their respective authorizing bond resolutions.

NOTE 13. DEFICIT FUND BALANCES

The Bayou Casotte Water Supply System Fund, which is presented in the financial statements as an enterprise fund had a deficit fund net position of \$8,417,644 as of September 30, 2018.

JACKSON COUNTY PORT AUTHORITY
(A Component Unit of Jackson County, Mississippi)
NOTES TO BASIC FINANCIAL STATEMENTS
September 30, 2018

NOTE 14. SUBSEQUENT EVENTS

Events that occur after the statement of net position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management of the Port Authority evaluated the activity of the entity through February 18, 2019, the date that the financial statements. The following items were noted:

- ◆ In December 2015, the Port Authority and Jackson County, Mississippi entered into a debt service agreement in which the County agreed to issue up to \$24,000,000 in general obligation bonds to be used for construction of the wood pellet facility and rail navigation. The Port Authority agreed to make all payments of principal and interest, as they become due. As of the date of this report, the bonds have not been issued.

Component Unit
Jackson-George Regional Library System

Notes to the Financial Statements
For the year ended June 30, 2018

JACKSON-GEORGE REGIONAL LIBRARY SYSTEM

(A Component Unit of Jackson County, Mississippi)

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Jackson-George Regional Library System (the Library System) was created through a contract between Jackson and George counties. The Library System is managed by a regional Board of Trustees, who are appointed by the Board of Supervisors of each county. The Regional Board sets policies and budgets for the eight libraries in the System. The Library System is funded primarily by the tax levies of the counties and cities included in the System.

The financial statements of the Library System have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units, hereinafter referred to as GAAP (generally accepted accounting principles). The accepted standard-setting body of establishing governmental accounting and financial reporting principles is GASB (the Governmental Accounting Standards Board).

The Library System does not have any component units as defined by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an Amendment of GASB Statement No. 14*.

B. Basis of Presentation

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

Financial statements of the reporting entity are organized into funds each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, net position/fund equity, revenues, and expenditures/expenses.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The Library System reports the difference between its governmental fund assets and deferred outflows of resources, and its liabilities and deferred inflows of resources, as fund balance.

JACKSON-GEORGE REGIONAL LIBRARY SYSTEM

(A Component Unit of Jackson County, Mississippi)

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Funds are organized as major funds or non-major funds within the governmental statements. An emphasis is placed on major funds with the governmental categories. A fund is considered major if it is the primary operating fund of the Library System or meets the following criteria:

- ◆ Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are a least 10 percent of the corresponding total for all funds of that category or type, and
- ◆ The same element of the individual governmental fund or enterprise fund that met the 10 percent test is a least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- ◆ In addition, any other governmental or enterprise fund that the Library System believes is particularly important to financial statement users may be reported as a major fund.

The Library System reports the following major funds:

General fund is the general operating fund of the Library System. It is used to account for all financial resources except those required to be accounted for in another fund.

Grants Management fund (special revenue fund) is used to account for the proceeds of specific revenue sources from grants that are legally restricted to expenditures for specified purposes.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library System considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

County taxes associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library System.

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

Deposits

The Library System deposits excess funds in the financial institution selected by the Board of Trustees. Cash deposits are reported at carrying amounts which reasonably estimate fair value.

JACKSON-GEORGE REGIONAL LIBRARY SYSTEM

(A Component Unit of Jackson County, Mississippi)

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables and Payables

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

Prepaid Items

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

Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Furniture and fixtures	5 years
Computer equipment	5 years
Library materials	5 years

Compensated Absences

Paid annual leave is granted to salaried employees regularly scheduled to work 20 or more hours per week. Annual leave is accumulated based on a full-time 37.5 hour work week and is earned in varying amounts depending on the years of service with the Library System. After six full calendar months of continuous service, the employee will be paid for earned but unused annual leave up to a maximum of 240 hours. Additional accrued annual leave is credited to the State Retirement. The maximum amount that can be credited to the State Retirement is 11,200 hours of combined accrued unused sick and annual leave. The employee may elect to have all earned but unused annual leave credited to State Retirement.

Paid sick leave is granted to all salaried employees regularly scheduled to work 20 or more hours per week. Sick leave is accumulated at a rate of 120 hours per year based on a full-time 37.5 hour workweek. Employees can only be paid for sick leave for actual time missed due to qualified sick leave absences. Upon termination, no payment is made to employees for accumulated sick leave; however, the unused hours are credited to State Retirement. As stated above, the maximum amount of combined accrued unused annual and sick leave that may be credited to State Retirement is 11,200 hours.

JACKSON-GEORGE REGIONAL LIBRARY SYSTEM

(A Component Unit of Jackson County, Mississippi)

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pensions

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

Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. Fiduciary net position was \$1,000,000 as of the measurement date of June 30, 2018. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Revenues

Substantially all governmental fund revenues are accrued. In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient. Fines are recognized as revenue when they are considered measurable, or at the time of receipt.

Expenditures

Expenditures are recognized when the related fund liability is incurred.

Net Position/Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

JACKSON-GEORGE REGIONAL LIBRARY SYSTEM

(A Component Unit of Jackson County, Mississippi)

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In the Government-Wide financial statements, the difference between the Library System's total assets and deferred outflows of resources, total liabilities and deferred inflows of resources represents net position. Net position displays three components:

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

Generally, governmental fund balances represent the difference between assets and deferred outflows of resources, liabilities and deferred inflows of resources. Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- ◆ Nonspendable - Includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.
- ◆ Restricted - Includes amounts that have constraints placed upon the use of the resources either by external party or imposed by law through a constitutional provision or enabling legislation.
- ◆ Committed - Includes amounts that can be used only for specific purposes pursuant to constraints imposed by a formal action of the Board of Trustees as approved in the board minutes.
- ◆ Assigned - Includes amounts that are constrained by management of the Library System's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed.
- ◆ Unassigned - Is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

JACKSON-GEORGE REGIONAL LIBRARY SYSTEM

(A Component Unit of Jackson County, Mississippi)

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The Library System does not have a minimum fund balance policy.

Internal Activity

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund from which expenditures were initially made that are properly applicable to another fund are recorded as expenditures in the fund that is reimbursed. Outstanding reimbursements are recorded as due to or from other funds. Net receivables or payables from other funds are reported as internal balances in the government-wide statement of net position.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Deferred Outflows/Inflows of Resources

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

Use of Estimates

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

JACKSON-GEORGE REGIONAL LIBRARY SYSTEM

(A Component Unit of Jackson County, Mississippi)

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New GASB Pronouncements

The Governmental Accounting Standards Board has issued the following new pronouncement that the Library System has reviewed for application to their accounting and reporting.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, is effective for the periods beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Library System has implemented this reporting requirement for the year ended September 30, 2018.

NOTE 2. DEPOSITS

State law requires that all deposits in excess of Federal Deposit Insurance Corporation (FDIC) limits be 105% collateralized by U.S. Government obligations or by state municipal obligations that have a fair value of not less than the principal amount of the deposits. The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State legislature and is governed by Section 27-1-5-5 Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer.

Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the FDIC.

Deposits at September 30, 2018, are as follows:

	Governmental Funds	Government- Wide Statement of Net Position
Cash on hand	\$ 413	413
Bank deposits	<u>1,137,607</u>	<u>1,137,607</u>
Total	<u>\$ 1,138,020</u>	<u>1,138,020</u>

JACKSON-GEORGE REGIONAL LIBRARY SYSTEM

(A Component Unit of Jackson County, Mississippi)

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 2. DEPOSITS (continued)

At year-end, the carrying amount of the Library System's deposits was \$1,137,607, and the respective bank balances totaled \$1,229,754. The bank balance is categorized as follows:

Amount collateralized with securities held in the State of Mississippi collateral pool on behalf of the Library System	\$ 979,754
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Amounts held at various financial institutions covered under Federal Depository Insurance	250,000
	\$ 1,229,754

NOTE 3. CONCENTRATIONS OF CREDIT RISK

A. Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of the failure of a financial institution, the Library System will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Library System does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the Library System. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the Library System.

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Library materials	\$ 7,868,370	336,202	-	8,204,572
Furniture and equipment	402,825	36,378	-	439,203
Computer equipment	<u>270,010</u>	<u>35,044</u>	<u>(1,472)</u>	<u>303,582</u>
Total capital assets	<u>8,541,205</u>	<u>407,624</u>	<u>(1,472)</u>	<u>8,947,357</u>
Less accumulated depreciation for:				
Library materials	6,478,881	462,082	-	6,940,963
Furniture and equipment	388,808	6,827	-	395,635
Computer equipment	<u>139,469</u>	<u>49,268</u>	<u>(1,472)</u>	<u>187,265</u>
Total accumulated depreciation	<u>7,007,158</u>	<u>518,177</u>	<u>(1,472)</u>	<u>7,523,863</u>
Total capital assets, net	<u><u>\$ 1,534,047</u></u>	<u><u>(110,553)</u></u>	<u><u>-</u></u>	<u><u>1,423,494</u></u>

Depreciation expense was charged to programs for the year ended September 30, 2018, as follows:

Governmental activities:

General government	\$ <u>518,177</u>
Total current year depreciation expense	\$ 518,177

JACKSON-GEORGE REGIONAL LIBRARY SYSTEM

(A Component Unit of Jackson County, Mississippi)

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 5. LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2018, is shown as follows:

<u>Long-Term Obligations</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amount due within one year</u>
Governmental Activities:					
Compensated Absences	\$ 155,389	-	-	155,389	77,695
Net OPEB Liability	440,228	-	(7,237)	432,991	-
Net Pension Liability	5,319,486	169,394	-	5,488,880	-
Total government activities	\$ 5,915,103	169,394	(7,237)	6,077,260	77,695

Compensated absences, net OPEB liability, and net pension liability will be paid from the general fund.

NOTE 6. INTERFUND BALANCES

The composition of inter fund balances as September 30, 2018 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Grants Management Fund	\$ 7,884
Grants Management Fund	General Fund	<u>4,586</u>
Total Internal Balances		<u>\$ 12,470</u>

NOTE 7. INTERFUND TRANSFERS

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

At September 30, 2018, transfers to/from other funds consist of the following:

Transfer from General Fund to Grants Management Fund for expenditures paid on behalf of the General Fund	\$ <u>18,535</u>
Total Transfers to/from other funds	\$ <u>18,535</u>

JACKSON-GEORGE REGIONAL LIBRARY SYSTEM

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NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 8. PENSION PLAN

A. Defined Benefit Pension Plan

Plan Description

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

Benefits Provided

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

Contributions

PERS members are required to contribute 9.00% of their annual covered salary and the Jackson-George Regional Library System is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2018 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature.

The Jackson-George Regional Library System's contribution to PERS for the years ended September 30, 2018, 2017, and 2016 was \$337,846, \$326,930, and \$323,364 respectively, which equal to the required contributions for each year.

JACKSON-GEORGE REGIONAL LIBRARY SYSTEM

(A Component Unit of Jackson County, Mississippi)

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 8. PENSION PLAN (continued)

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

At September 30, 2018, the Library System reported a liability of \$5,488,880 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Library System's proportion of the net pension liability was based on a projection of the Library System's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the Library System's proportion was 0.033 percent, which was an increase of 0.001 percent from its proportion measured as of June 30, 2017.

For the year ended September 30, 2018, the Library System recognized pension expense of \$500,526. At September 30, 2018, the Library System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 24,063	23,138
Net difference between projected and actual earnings on pension plan investments	-	109,111
Changes of assumptions	3,239	3,032
Changes in proportion and differences between Library System contributions and proportionate share of contributions	103,586	-
Library system contributions subsequent to the measurement date	84,420	-
Total	\$ 215,308	135,281

\$84,420 reported as deferred outflows of resources related to pensions resulting from Library System contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30,		
2019	\$	86,845
2020		24,672
2021		(91,226)
2022		(24,684)
2023		-
Thereafter		-
Total	\$	(4,393)

JACKSON-GEORGE REGIONAL LIBRARY SYSTEM

(A Component Unit of Jackson County, Mississippi)

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 8. PENSION PLAN (continued)

Actuarial assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75-18.50%, 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 2022 with males rates set forward one year.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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

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

Asset class	Target Allocation	Long-term expected real rate of return
U.S. Broad	27.00 %	4.60 %
International equity	18.00	4.50
Emerging markets equity	4.00	4.75
Global	12.00	4.75
Fixed income	18.00	0.75
Real assets	10.00	3.50
Private equity	8.00	5.10
Emerging debt	2.00	2.25
Cash	1.00	-
Total	100.00 %	

Discount Rate

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

JACKSON-GEORGE REGIONAL LIBRARY SYSTEM

(A Component Unit of Jackson County, Mississippi)

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

Sensitivity of the Library System's proportionate share of the net pension liability to changes in the discount rate

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Library System's proportionate share of the net pension liability	\$ 7,227,281	5,488,880	4,044,040

Pension plan fiduciary net position

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

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan

Plan description

State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. A trust was created June 28, 2018 for the OPEB Plan and, while no trust was in place for the June 30, 2017 plan year-end, for purposes of comparability for future periods, terminology used herein is based on the plan being a cost-sharing multiple-employer defined benefit OPEB plan. The OPEB Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Mississippi Department of Finance and Administration, 501 North West Street, Suite 1301, Jackson, MS 39201 or by calling (601) 359-3402.

JACKSON-GEORGE REGIONAL LIBRARY SYSTEM

(A Component Unit of Jackson County, Mississippi)

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Benefits provided

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

Contributions

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. The Library System's contributions to OPEB for the year ended September 30, 2018 was \$19,284, which was equal to the required contributions for the year.

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

At September 30, 2018, the Library System reported a liability of \$432,991 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the Library System's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2018, the Library System's proportion was 0.0560 percent. This was an increase of 0.0019 percent from the proportionate share as of the measurement date as of June 30, 2017.

JACKSON-GEORGE REGIONAL LIBRARY SYSTEM

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NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

For the year ended September 30, 2018, the Library System recognized OPEB expense of \$24,145. At September 30, 2018, the Library System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 882	-
Changes of assumption	-	30,851
Changes in proportion and differences between Library System contributions and proportionate share of contributions	17,871	-
Total	\$ 18,753	30,851

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

Year ending September 30, :	Amount
2019	\$ (2,614)
2020	(2,614)
2021	(2,614)
2022	(2,614)
2023	(1,748)
Thereafter	106
Total	\$ (12,098)

JACKSON-GEORGE REGIONAL LIBRARY SYSTEM

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NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary increases	3.25-18.50%, including wage inflation
Long-term Investment Rate of Return, net of OPEB plan investment expense, including inflation	4.50%
Municipal Bond Index Rate	
Measurement Date	3.89%
Prior Measurement Date	3.56%
Year FNP is projected to be depleted	
Measurement Date	2018
Prior Measurement Date	2017
Single Equivalent Interest Rate, Net of OPEB Plan investment expense, including inflation	
Measurement Date	3.89%
Prior Measurement Date	3.56%
Health Care Cost Trends	
Medicare Supplement Claims Pre-Medicare	7.25% for 2018 decreasing to an ultimate rate of 4.75% by 2028

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

The demographic actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study dated April 18, 2017.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation. The plan had \$1,000,000 in assets as of the measurement date of 2018.

As of June 30, 2018, 100 percent of the net assets of the plan were invested in the State of Mississippi's internal investment pool.

JACKSON-GEORGE REGIONAL LIBRARY SYSTEM

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NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Discount rate

The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.89%. Since the Prior Measurement Date, the Discount Rate has changed from 3.56% to 3.89%. Since no trust was set up as of June 30, 2017, there was no projection of cash flows for the Plan and the Plan was projected to be depleted in 2018. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used, if necessary, for this purpose is the average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by the Bond Buyer.

Sensitivity of the Library System's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the Library System's proportionate share of the net OPEB liability, as well as what the Library System's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89%) or 1-percentage-point higher (4.89%) than the current discount rate:

	1% Decrease (2.89%)	Current Discount Rate (3.89%)	1% Increase (4.89%)
Net OPEB Liability	\$ 479,960	432,991	392,596

Sensitivity of the Library System's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates

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

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB Liability	\$ 401,093	432,991	469,218

OPEB plan fiduciary net position

The fiduciary net position for the OPEB plan was \$1,000,000 as of June 30, 2018, the measurement date. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued OPEB financial report.

JACKSON-GEORGE REGIONAL LIBRARY SYSTEM

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NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 10. DEFERRED COMPENSATION PLAN

Employees of the Library System are eligible to participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code (IRC) Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

Under the deferred compensation plan, which is available to all employees of the Library System, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portions until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency. The deferred compensation plan is administered by the Board of Trustees of the Public Employees Retirement System of Mississippi. The plan's assets are held in trust by the Public Employees Retirement System of Mississippi for the exclusive benefit of the participants and beneficiaries of the plan and are not subject to the general creditors of the Library System. As a result, the plan's assets are not reflected in an agency fund of the Library.

NOTE 11. COMMITMENTS AND CONTINGENCIES

A. Litigation

The Library System is party to legal proceedings that occur in the normal course of operations. Estimates of ultimate outcome or liability, if any, is not possible at the present time. However, the Library System's legal counsel believes that ultimate liability resulting from lawsuits will not have a material adverse effect on the financial condition of the Library System.

JACKSON-GEORGE REGIONAL LIBRARY SYSTEM

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NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 12. FUNDING

The Library System receives funding from the Mississippi Library Commission. Federal funds are provided through a grant to the Mississippi Library Commission from the Institute of Museums and Library Services (CFDA No. 45.310), under the Library Services and Technology Act (LSTA). State funds are provided through the Mississippi State Legislature in the following bills: Senate Bill 3158-2001, Senate Bill 3315-2000, and House Bill 1672-1999.

Funds received from the Mississippi Library Commission for the year ended September 30, 2018 on the cash basis are as follows:

<u>Grant #</u>	<u>Source</u>	<u>Program</u>	<u>Amount</u>
SH18-360-18-0	State	Health insurance	\$ 206,480
SH19-360-18-0	State	Health insurance	<u>67,996</u>
Total health insurance grant			274,476
SP18-362-18-0	State	Personnel incentive	136,930
SP19-362-18-0	State	Personnel incentive	<u>42,861</u>
Total personnel incentive grant			179,791
SL18-361-18-0	State	Life insurance	2,761
SL19-361-18-0	State	Life insurance	<u>961</u>
Total life insurance grant			<u>3,722</u>
		Total State Funding	\$ <u>457,989</u>

<u>Grant #</u>	<u>Source</u>	<u>Program</u>	<u>Amount</u>
FIC18-1911-18-0	Federal	Institutional Capacity	\$ 3,000
FIC18-1911-18-1	Federal	Institutional Capacity	<u>3,000</u>
		Total Federal Funding	\$ <u>6,000</u>

The Jackson-George Regional Library System also receives federal funding from the Federal Communications Commission, Administered through the Universal Service Administrative Company (E-Rate) under CFDA: 32.000. Funding received, on the cash basis, for the year ended September 30, 2018 was \$64,124.

NOTE 13. CONCENTRATION OF REVENUES

The Library is dependent on Jackson and George Counties and component cities and the Mississippi Library Commission for the majority of the funding necessary for its operations. Significant changes in the level of funding from these sources could have a favorable or unfavorable impact on the operating results of the Library.

JACKSON-GEORGE REGIONAL LIBRARY SYSTEM

(A Component Unit of Jackson County, Mississippi)

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended September 30, 2018

NOTE 14. PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$(440,228) was made to correct September 30, 2017 net position related to the implementation of GASB Statement No. 75 (see Note 1).

Net position, September 30, 2017 as originally presented	\$ (2,467,622)
Understatement of net OPEB liability	<u>(440,228)</u>
Total prior period adjustments	<u>(440,228)</u>
Net position as restated, September 30, 2017	\$ <u>(2,907,850)</u>

NOTE 15. EFFECT OF DEFERRED AMOUNTS ON NET POSITION

The unrestricted net position amount of \$(4,690,312) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflows of resources related to pension in the amount of \$84,420 resulting from the Library Systems contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2019. The \$130,888 balance of deferred outflow of resources, at September 30, 2018 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of \$(4,690,312) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$135,281 balance of deferred inflow of resources, at September 30, 2018 will be recognized as a revenue and will increase the unrestricted net position over the next 4 years.

The unrestricted net position amount of \$(4,690,312) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. The \$18,753 balance of deferred outflow of resources, at September 30, 2018 will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The unrestricted net position amount of \$(4,690,312) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$30,851 balance of deferred inflow of resources at September 30, 2018 will be recognized as a revenue and will increase the unrestricted net position over the next 6 years.

NOTE 16. SUBSEQUENT EVENTS

Events that occur after the statement of net position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying financial statements. Subsequent events that provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management has evaluated subsequent events through May 07, 2019, the date that the financial statements were made available for issue and has determined that there are no additional adjustments and/or disclosures required.

REQUIRED SUPPLEMENTARY INFORMATION

JACKSON COUNTY, MISSISSIPPI

Budgetary Comparison Schedule -

Budget and Actual (Non-GAAP Basis)

General Fund

For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
Revenues				
Property taxes	\$ 52,514,987	\$ 53,880,447	\$ 53,880,447	\$ -
Licenses, commissions and other revenue	2,069,450	2,592,623	2,592,623	-
Fines and forfeitures	1,376,000	1,493,191	1,493,191	-
Intergovernmental revenues	10,796,116	11,670,860	11,670,860	-
Charges for services	555,000	818,658	818,658	-
Interest income	410,800	1,523,167	1,523,167	-
Miscellaneous revenues	762,144	1,412,517	1,412,517	-
Total Revenues	68,484,497	73,391,463	73,391,463	-
Expenditures by Major Budgetary Function				
General government	35,176,711	28,506,309	28,506,309	-
Public safety	21,339,826	18,042,738	18,042,738	-
Public works	3,043,490	1,701,741	1,701,741	-
Health and welfare	3,993,546	2,636,364	2,636,364	-
Culture and recreation	4,700,849	4,763,080	4,763,080	-
Education	350,000	392,747	392,747	-
Conservation of natural resources	378,147	278,655	278,655	-
Economic development and assistance	1,906,264	2,325,870	2,325,870	-
Debt service:				
Principal		1,210,000	1,210,000	-
Interest		892,077	892,077	-
Total Expenditures	70,888,833	60,749,581	60,749,581	-
Excess of Revenues Over (Under)				
Expenditures	(2,404,336)	12,641,882	12,641,882	-
Other Financing Sources (Uses)				
Other financing sources	50,000	145,250	145,250	-
Other financing uses	(900,000)	(2,163,663)	(2,163,663)	-
Total Other Financing Sources (Uses)	(850,000)	(2,018,413)	(2,018,413)	-
Net Change in Fund Balance	(3,254,336)	10,623,469	10,623,469	-
Fund Balances - Beginning	35,742,495	33,453,985	33,453,985	-
Fund Balances - Ending	\$ 32,488,159	\$ 44,077,454	\$ 44,077,454	\$ -

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

JACKSON COUNTY, MISSISSIPPI

Budgetary Comparison Schedule -

Budget and Actual (Non-GAAP Basis)

Road Fund

For the Year Ended September 30, 2017

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
Revenues				
Property taxes	\$ 15,524,898	\$ 15,681,837	\$ 15,681,837	\$ -
Road and bridge privilege taxes	1,750,000	2,007,209	2,007,209	-
Intergovernmental revenues	1,025,000	2,420,090	2,420,090	-
Interest income		334,310	334,310	-
Miscellaneous revenues	75,000	522,753	522,753	-
Total Revenues	<u>18,374,898</u>	<u>20,966,199</u>	<u>20,966,199</u>	<u>-</u>
Expenditures by Major Budgetary Function				
Public works	<u>23,883,514</u>	<u>21,889,715</u>	<u>21,889,715</u>	<u>-</u>
Total Expenditures	<u>23,883,514</u>	<u>21,889,715</u>	<u>21,889,715</u>	<u>-</u>
Excess of Revenues Over (Under)				
Expenditures	<u>(5,508,616)</u>	<u>(923,516)</u>	<u>(923,516)</u>	<u>-</u>
Other Financing Sources (Uses)				
Other financing sources	<u>1,500,000</u>	<u>2,121,073</u>	<u>2,121,073</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>1,500,000</u>	<u>2,121,073</u>	<u>2,121,073</u>	<u>-</u>
Net Change in Fund Balance	(4,008,616)	1,197,557	1,197,557	-
Fund Balances - Beginning	<u>11,505,339</u>	<u>12,557,199</u>	<u>12,557,199</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 7,496,723</u>	<u>\$ 13,754,756</u>	<u>\$ 13,754,756</u>	<u>\$ -</u>

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

Jackson County, Mississippi

Schedule of Changes in the Net OPEB Liability and Related Ratios

OPEB

Last 10 Fiscal Years*

	<u>2018</u>
Net OPEB Liability	
Service Cost	\$ 272,457
Interest	102,250
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	(950,451)
Changes in Assumptions or Other Inputs	1,060,569
Benefit Payments / Refunds	(34,885)
Net change in Net OPEB Liability	\$ <u>449,940</u>
Net OPEB Liability - beginning, as originally reported	\$ 2,274,502
Prior period adjustment	<u>495,275</u>
Net OPEB Liability - beginning, as restated	<u>2,769,777</u>
Net OPEB Liability - ending	\$ <u><u>2,724,442</u></u>
 Covered Employee Payroll	 \$ 27,723,588
 Net OPEB Liability as a percentage of covered employee payroll	 9.8%

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

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the County has only presented information for the years in which information is available.

Jackson County, Mississippi
Schedule of Contributions
OPEB
Last 10 Fiscal Years*

	<u>2018</u>
Actuarially determined contribution	\$ 503,853
Contributions in relation to the actuarially determined contribution	<u>34,885</u>
Contribution deficiency (excess)	<u>\$ 468,968</u>
 Covered-employee payroll	 \$ 27,723,588
Contributions as a percentage of covered-employee payroll	0.1%

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

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the County has only presented information for the years in which information is available.

JACKSON COUNTY, MISSISSIPPI

Schedule of the County's Proportionate Share of the Net Pension Liability

Last 10 Fiscal Years*

For the Year Ended September 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset)	0.501612%	0.489852%	0.473641%	0.471858%	0.473705%
County's proportionate share of the net pension liability (asset)	\$ 83,432,978	81,430,028	84,604,109	72,939,942	57,499,113
County's covered payroll	\$ 32,032,743	31,424,337	30,299,987	29,478,997	28,932,660
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	260.46%	259.13%	279.22%	247.43%	198.73%
Plan fiduciary net position as a percentage of the total pension liability	62.54%	61.49%	57.47%	61.70%	67.21%

* The amounts presented for each fiscal year were determined as of the twelve months ended at the measurement date of June 30 of the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10 year trend is compiled, the County has only presented information for the years in which information is available.

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

JACKSON COUNTY, MISSISSIPPI
Schedule of County Contributions
Last 10 Fiscal Years*
For the Year Ended September 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 5,083,532	4,969,910	4,987,616	4,672,783	4,374,610
Contributions in relation to the contractually required contribution	<u>5,083,532</u>	<u>4,969,910</u>	<u>4,987,616</u>	<u>4,672,783</u>	<u>4,374,610</u>
Contribution deficiency (excess)	\$ <u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
County's covered payroll	\$ 32,276,394	31,554,984	31,667,403	29,668,463	27,775,302
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%	15.75%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until, a full 10 year trend is compiled, the County has only presented information for the years in which information is available.

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

Jackson County, Mississippi

Notes to the Required Supplementary Information
For the year ended September 30, 2018

Budgetary Comparison Schedules

A. Budgetary Information.

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the County, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The County's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

Jackson County, Mississippi

Notes to the Required Supplementary Information For the Year Ended September 30, 2018

	<u>Governmental Fund Types</u>	
	<u>General Fund</u>	<u>Road Fund</u>
Budget (Cash Basis)	\$ 10,623,469	1,197,557
Increase (Decrease)		
Net adjustments for revenue accruals	34,098	47,759
Net adjustments for expenditure accruals	629,688	648,143
GAAP Basis	<u>\$ 11,287,255</u>	<u>1,893,459</u>

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%.

2017

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

Jackson County, Mississippi

Notes to the Required Supplementary Information For the Year Ended September 30, 2018

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

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

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

B. Change 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.

The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

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

COMPONENT UNIT
REQUIRED SUPPLEMENTARY INFORMATION

Singing River Mental Health / Mental Retardation Services

SINGING RIVER MENTAL HEALTH / MENTAL RETARDATION SERVICES
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
REVENUES			
Charges for services			
Medicaid	\$5,660,558	\$5,092,510	\$ (568,048)
Self pay & third party reimbursement	542,104	413,738	(128,366)
Other	232,024	207,779	(24,245)
Government grants	1,565,570	1,451,517	(114,053)
County revenue	453,000	453,000	-
	<u>\$8,453,256</u>	<u>\$7,618,544</u>	<u>\$ (834,712)</u>
EXPENSES			
Personnel costs	\$6,602,086	\$5,612,010	\$ (990,076)
Contractual services	1,581,170	1,904,680	323,510
Commodities	220,000	281,073	61,073
Equipment	50,000	17,551	(32,449)
	<u>\$8,453,256</u>	<u>\$7,815,314</u>	<u>\$ (637,942)</u>
NET SURPLUS (DEFICIT)			\$ (196,770)

Note A - Basis of Presentation

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

SINGING RIVER MENTAL HEALTH / MENTAL RETARDATION SERVICES
SCHEDULE OF AGENCY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2018

PERS

Last 10 Fiscal Years*

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Agency's proportion of the net pension liability (asset)	\$ 7,991,528	\$ 8,927,011	\$ 10,570,668	\$ 10,595,918	\$ 10,595,203
Agency's proportionate share of the net pension liability (asset)	0.06584%	0.05775%	0.05918%	0.63741%	0.06370%
Agency's covered- employee payroll	4,023,060	3,607,867	3,798,451	4,094,756	4,074,235
Agency's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	198.64%	247.43%	278.29%	258.77%	260.05%
Plan fiduciary net position as a percentage of the total pension liability	67.21%	61.70%	57.47%	61.49%	62.54%

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

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/2015, and, until a full 10-year trend is compiled. the Agency has only presented information for the years in which information is available.

SINGING RIVER MENTAL HEALTH / MENTAL RETARDATION SERVICES
SCHEDULE OF AGENCY'S CONTRIBUTIONS
For the Year Ended June 30, 2018

PERS

Last 10 Fiscal Years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 633,632	\$ 568,239	\$ 598,256	\$ 644,924	\$ 641,692
Contributions in relation to the contractually required contribution	633,632	568,239	598,256	644,924	641,692
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Agency's covered - employee payroll	\$ 4,023,060	\$ 3,607,867	\$ 3,798,451	\$ 4,094,756	\$ 4,074,235
Contributions as a percentage of covered - employee payroll	15.75%	15.75%	15.75%	15.75%	15.75%

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

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

However, GASB 68 was implemented in FYE 6/30/2015, and, until a full 10-year trend is compiled.

The Agency has only presented information for the years in which information is available.

COMPONENT UNIT
REQUIRED SUPPLEMENTARY INFORMATION

Singing River Health System

Singing River Health System
Schedule of Changes in Net Pension Liability and Related Ratios
Last Five Years Ending September 30

	September 30				
	2018	2017	2016	2015	2014
Total pension liability:					
Service cost	\$ -	\$ -	\$ -	\$ 1,636,685	\$ 9,301,301
Interest	15,454,271	14,893,889	17,011,106	17,939,427	19,601,873
Changes in benefit terms	(252,577,574)	-	-	(77,583,377)	-
Differences between expected and actual experience	(4,513,723)	4,496,222	(10,199,979)	-	(10,574,128)
Changes of assumptions	(3,477,050)	(15,273,971)	29,972,888	22,058,366	70,788,607
Benefit payments, including refunds of employee contributions	(18,224,000)	(16,304,500)	(15,023,227)	(14,368,870)	(12,507,174)
Net change in total pension liability	(263,338,076)	(12,188,360)	21,760,788	(50,317,769)	76,610,479
Total pension liability - beginning of year	451,440,728	463,629,088	441,868,300	492,186,069	415,576,590
Total pension liability - end of year	188,102,652	451,440,728	463,629,088	441,868,300	492,187,069
Plan fiduciary net position:					
Contributions - employer	72,012,144	-	-	-	-
Contributions - employee	-	-	-	395,038	3,158,856
Net investment income	9,979,527	11,369,590	8,918,860	1,750,750	14,796,956
Benefit payments, including refunds of employee contributions	(18,224,000)	(16,304,500)	(15,023,227)	(14,368,870)	(12,508,174)
Administrative expense	(676,000)	(685,109)	(677,632)	(557,024)	(370,020)
Other	-	-	-	-	-
Net change in plan fiduciary net position	63,091,671	(5,620,019)	(6,781,999)	(12,780,106)	5,077,618
Plan fiduciary net position - beginning of year	125,010,981	130,631,000	137,412,999	150,193,105	145,115,487
Plan fiduciary net position - end of year	188,102,652	125,010,981	130,631,000	137,412,999	150,193,105
Net pension liability - end of year	\$ -	\$ 326,429,747	\$ 332,998,088	\$ 304,455,301	\$ 341,993,964
Plan fiduciary net position as a percentage of total pension liability	100.0%	27.7%	28.2%	31.1%	30.5%
Covered-employee payroll	N/A	N/A	N/A	86,061,783	86,397,101
Net pension liability as a percentage of covered-employee payroll	N/A	N/A	N/A	353.8%	395.8%

See independent auditors' report on the supplementary information.

COMPONENT UNIT
REQUIRED SUPPLEMENTARY INFORMATION

West Jackson County Utility District

West Jackson County Utility District
(A Component Unit of Jackson County, Mississippi)
Schedule of the District's Proportionate Share of the Net Pension Liability
PERS
Last 10 Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	\$ 3,214,322	\$ 3,108,847	\$ 3,113,046	\$ 2,749,674
District's proportionate share of the net pension liability	0.019325%	0.018702%	0.017428%	0.017788%
District's covered - employee payroll	1,159,351	1,199,721	1,049,607	1,050,351
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	277.25%	275.30%	296.59%	261.79%
Plan fiduciary net position as a percentage of the total pension liability	62.54%	61.49%	57.47%	61.70%

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

The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the year of the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However GASB 68 was implemented in FYE 9/30/15, and until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

West Jackson County Utility District
(A Component Unit of Jackson County, Mississippi)
Schedule of the District's Employer Contributions
PERS
Last 10 Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 195,483	\$ 194,477	\$ 181,573	\$ 176,083
Contributions in relation to contractually required contributions	<u>195,483</u>	<u>194,477</u>	<u>181,573</u>	<u>176,083</u>
Contribution deficiency (excess)	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
District's covered - employee payroll	1,241,162	1,234,775	1,152,844	1,117,987
Contributions as a percentage of covered-employee payroll	15.75%	15.75%	15.75%	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However GASB 68 was implemented in FYE 9/30/15, and until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

West Jackson County Utility District
(A Component Unit of Jackson County, Mississippi)
Notes to the Required Supplementary Information
For the Year Ended September 30, 2018

Pension Schedules

Changes of assumptions:

- 2017
 - The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
 - The wage inflation assumption was reduced from 3.75% to 3.25%
 - Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
 - The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.
- 2016
 - The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.
- 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.

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.

West Jackson County Utility District
(A Component Unit of Jackson County, Mississippi)
Notes to the Required Supplementary Information
For the Year Ended September 30, 2018

Method and assumptions used in calculations of actuarially determined contributions:

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2016 valuation for the June 30, 2018 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	36.6 years
Asset valuation method	5-year smoothed market
Price inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

COMPONENT UNIT
REQUIRED SUPPLEMENTARY INFORMATION
Jackson County Emergency Communications District

JACKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
(A Component Unit of Jackson County, Mississippi)
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY*
(Unaudited)
Public Employees Retirement System of Mississippi
Last 10 Fiscal Years (Only 4 Years Shown)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.0022 %	0.0021 %	0.0020 %	0.0019 %
District's proportionate share of the net pension liability (asset)	\$ 365,925	349,091	357,250	293,703
District's covered payroll	\$ 143,228	133,507	131,013	122,469
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	255.48 %	261.48 %	272.68 %	239.82 %
Plan fiduciary net position as a percentage of the total pension liability	62.54 %	61.49 %	57.47 %	61.70 %

*The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the fiscal year presented.

**This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

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

JACKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
(A Component Unit of Jackson County, Mississippi)
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
(Unaudited)
Public Employees Retirement System of Mississippi
Last 10 Fiscal Years (Only 4 Years Shown)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 22,948	21,563	20,741	19,557
Contributions in relation to the contractually required contribution	<u>(22,948)</u>	<u>(21,563)</u>	<u>(20,741)</u>	<u>(19,557)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	\$ 145,700	136,907	131,687	124,172
Contributions as a percentage of covered payroll	15.75 %	15.75 %	15.75 %	15.75 %

**This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

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

JACKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
(A Component Unit of Jackson County, Mississippi)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2018

NOTE 1. 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%.

2017:

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

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

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

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

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.

JACKSON COUNTY EMERGENCY COMMUNICATIONS DISTRICT
(A Component Unit of Jackson County, Mississippi)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2018

NOTE 1. PENSION SCHEDULES (Continued)

C. Method and assumptions used in calculations of actuarially determined contributions

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

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

COMPONENT UNIT
REQUIRED SUPPLEMENTARY INFORMATION

Jackson County Port Authority

JACKSON COUNTY PORT AUTHORITY
(A Component Unit of Jackson County, Mississippi)
BUDGETARY COMPARISON SCHEDULE – GROSS OPERATING RECEIPTS FUND
For the Year Ended September 30, 2018
UNAUDITED

	<u>Budgeted amounts</u>		Actual amounts	Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	Budgetary Basis	Variance
Resources (inflows):				
Terminal revenues	\$ 2,510,550	3,268,200	2,267,843	(1,000,357)
Rental income	1,883,927	2,141,378	2,042,453	(98,925)
Other revenue	338,882	408,232	161,311	(246,921)
Investment-unrestricted	<u>55,000</u>	<u>55,000</u>	<u>65,493</u>	<u>10,493</u>
Amounts available for appropriations	<u>4,788,359</u>	<u>5,872,810</u>	<u>4,537,100</u>	<u>(1,335,710)</u>
Charges to appropriations (outflows):				
Port Operations:				
Terminal operations	2,117,768	2,268,268	1,380,636	887,632
Administrative and office	3,208,520	3,216,020	2,899,544	316,476
Major repairs and maintenance	122,000	159,000	-	159,000
Major facility improvements escrow	<u>300,000</u>	<u>300,000</u>	<u>-</u>	<u>300,000</u>
Total charges to appropriations	<u>5,748,288</u>	<u>5,943,288</u>	<u>4,280,180</u>	<u>1,663,108</u>
Excess (deficiency) of revenues over expenditures	(959,929)	(70,478)	256,920	327,398
Other Financing Sources (Uses)				
Transfers in	-	-	164,838	164,838
Funds available for use	<u>1,522,705</u>	<u>1,522,705</u>	<u>-</u>	<u>(1,522,705)</u>
Total other financing sources (uses)	<u>1,522,705</u>	<u>1,522,705</u>	<u>164,838</u>	<u>(1,357,867)</u>
Net change in fund balance	<u>\$ 562,776</u>	<u>1,452,227</u>	421,758	<u>(1,030,469)</u>
Fund balance - beginning			<u>6,305,597</u>	
Fund balance - end of year			<u>\$ 6,727,355</u>	
Differences between budgetary and GAAP fund balance:				
Fund Balance, end of year (Budgetary Basis)			\$	6,727,355
Accruals for expenses incurred but not paid				(949,156)
Accruals for revenues recognized but not yet received				<u>961,024</u>
Fund Balance, end of year (GAAP)			<u>\$</u>	<u>6,739,223</u>

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

JACKSON COUNTY PORT AUTHORITY
(A Component Unit of Jackson County, Mississippi)
SCHEDULE OF PORT AUTHORITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY*
Public Employees Retirement System of Mississippi
Last 10 Fiscal Years (Only 5 Years Shown)**
UNAUDITED

	2018	2017	2016	2015	2014
Port Authority's proportion of the net pension liability	0.05 %	0.05 %	0.05 %	0.04 %	0.04 %
Port Authority's proportionate share (amount) of the net pension liability	\$ 8,316,486	8,311,697	8,931,249	6,183,211	4,855,268
Port Authority's covered payroll	\$ 2,934,751	3,044,989	2,934,854	2,705,372	2,601,067
Port Authority's proportionate share (amount) of the collective net pension liability as a percentage of its covered payroll	283.38 %	272.96 %	304.32 %	228.55 %	186.66 %
Plan fiduciary net position as a percentage of the total pension liability	62.54 %	61.49 %	57.47 %	61.70 %	67.21 %

*The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the fiscal year presented.

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

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

JACKSON COUNTY PORT AUTHORITY
(A Component Unit of Jackson County, Mississippi)
SCHEDULE OF PORT AUTHORITY CONTRIBUTIONS
Public Employees Retirement System of Mississippi
Last 10 Fiscal Years (Only 5 Years Shown)**
UNAUDITED

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 462,097	463,312	460,853	436,597	409,981
Contributions in relation to the contractually required contribution	<u>(462,097)</u>	<u>(463,312)</u>	<u>(460,853)</u>	<u>(436,597)</u>	<u>(409,981)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Port Authority's covered payroll	\$2,933,947	2,941,658	2,926,051	2,772,041	2,603,053
Contributions as a percentage of covered payroll	15.75 %	15.75 %	15.75 %	15.75 %	15.75 %

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

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

JACKSON COUNTY PORT AUTHORITY
(A Component Unit of Jackson County, Mississippi)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2018
UNAUDITED

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

A. Budgets and Budgetary Accounting

Statutory requirements dictate how and when the Port Authority's budget is to be prepared. Generally, during September, a budget is prepared by the Port Authority's management and submitted to the Board of Commissioners for approval. The completed budget for the fiscal year includes for all funds every source of revenue, each general item of expenditure, and unencumbered cash and investment balances. On a periodic basis, as required by changing conditions, the budgeted amounts are amended. Annual legally adopted operating budgets are not adopted for special revenue funds.

The Port Authority's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year-end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP, Cash Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP, Cash Basis) and variance between the final budget and the actual amounts. The schedule is presented for the Gross Operating Receipts Fund of the Port Authority. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP, Cash Basis) is a part of required supplemental information.

C. Excess of Expenditures over Appropriations (Budget)

There were no expenditures in excess of appropriations (budget) for the fiscal year ended September 30, 2018.

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.

JACKSON COUNTY PORT AUTHORITY
(A Component Unit of Jackson County, Mississippi)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2018
UNAUDITED

NOTE 2. PENSION SCHEDULES (continued)

A. Changes of Assumptions (continued)

2016:

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

2017:

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

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

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

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

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.

C. Method and assumptions used in calculations of actuarially determined contributions

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

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

COMPONENT UNIT
REQUIRED SUPPLEMENTARY INFORMATION

Jackson-George Regional Library System

JACKSON-GEORGE REGIONAL LIBRARY SYSTEM

(A Component Unit of Jackson County, Mississippi)

BUDGETARY COMPARISON SCHEDULE – ALL FUNDS

For the Year Ended September 30, 2018

(UNAUDITED)

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts (Budgetary Basis)	Variance with Final Budget Over / (Under)
Revenues:				
Jackson County	\$ 2,836,000	2,836,000	2,752,910	(83,090)
George County	139,875	139,875	134,444	(5,431)
Gautier	109,578	109,578	108,032	(1,546)
Moss Point	127,500	127,500	85,000	(42,500)
Ocean Springs	135,000	135,000	135,000	-
Pascagoula	250,000	250,000	268,368	18,368
Grant revenue	549,259	549,259	520,835	(28,424)
Fines	67,500	67,500	64,548	(2,952)
Copy machine fees	58,200	58,200	59,272	1,072
Lost and paid books	4,100	4,100	9,742	5,642
Miscellaneous income	19,930	19,930	14,487	(5,443)
Donations	5,600	6,850	6,578	(272)
Interest income	8,000	8,000	11,524	3,524
Amounts available for appropriations	<u>\$ 4,310,542</u>	<u>4,311,792</u>	<u>4,170,740</u>	<u>(141,052)</u>

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

JACKSON-GEORGE REGIONAL LIBRARY SYSTEM

(A Component Unit of Jackson County, Mississippi)

BUDGETARY COMPARISON SCHEDULE – ALL FUNDS

For the Year Ended September 30, 2018

(UNAUDITED)

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Over / (Under)</u>
Expenditures:				
Administrative	\$ 1,164,411	1,149,211	825,047	(324,164)
Delivery	60,632	60,632	46,920	(13,712)
Technology	378,036	388,036	322,811	(65,225)
Acquisitions	293,620	296,620	218,477	(78,143)
Youth services	56,842	58,392	52,955	(5,437)
Training	60,347	60,347	54,704	(5,643)
Law Library	194,622	194,622	80,209	(114,413)
Migration	42,000	42,000	4,528	(37,472)
East Central	296,245	296,245	218,036	(78,209)
Gautier	315,191	315,191	234,369	(80,822)
Moss Point	329,481	329,956	228,302	(101,654)
Ocean Springs	483,588	483,588	392,036	(91,552)
Pascagoula	619,839	629,975	497,745	(132,230)
St. Martin	311,388	311,388	236,378	(75,010)
Vancleave	312,575	313,225	236,360	(76,865)
Genealogy and Local History	128,843	132,443	113,003	(19,440)
George County	244,614	245,807	187,013	(58,794)
Capital Expenditures	229,310	219,310	407,624	188,314
LSTA-Postage Resource Sharing	12,165	12,165	12,165	-
LSTA-OS Color Copier Scanner	3,000	3,000	-	(3,000)
LSTA-ADM Color Copier Printer	3,000	3,000	-	(3,000)
SREPA Grant	-	2,382	1,572	(810)
LSTA-St. Martin Teen Zone	-	8,693	7,280	(1,413)
LSTA-GLH Binging for Better Access	-	3,000	-	(3,000)
Total expenditures	<u>5,539,749</u>	<u>5,559,228</u>	<u>4,377,534</u>	<u>(1,181,694)</u>
Other Financing Sources (Uses)				
Appropriated fund balance	<u>1,211,041</u>	<u>1,211,041</u>	-	<u>(1,211,041)</u>
Total other financing sources (uses)	<u>1,211,041</u>	<u>1,211,041</u>	-	<u>(1,211,041)</u>
Net change in fund balance	<u>\$ (18,166)</u>	<u>(36,395)</u>	(206,794)	<u>(170,399)</u>
Fund balance - beginning of year			<u>1,344,814</u>	
Fund balance - end of year			<u>\$ 1,138,020</u>	
Differences between budgetary and GAAP fund balance:				
Fund Balance, end of year (Budgetary Basis)				\$ 1,138,020
Accruals for expenses incurred but not paid				(38,637)
Accruals for revenues recognized but not received				<u>181,865</u>
Fund Balance, end of year (GAAP)				<u>\$ 1,281,248</u>

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

JACKSON-GEORGE REGIONAL LIBRARY SYSTEM
(A Component Unit of Jackson County, Mississippi)
SCHEDULE OF LIBRARY SYSTEM'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY*
Public Employees Retirement System of Mississippi
Last 10 Fiscal Years (Only 4 Years Shown)**
(UNAUDITED)

	2018	2017	2016	2015
Library System's proportion of the net pension liability	0.033 %	0.032 %	0.032 %	0.033 %
Library System's proportionate share (amount) of the net pension liability	\$ 5,488,880	5,319,486	5,715,999	5,101,149
Library System's covered payroll	\$ 2,112,499	2,073,154	2,052,064	2,052,828
Library System's proportionate share (amount) of the collective net pension liability as a percentage of the Library System's covered payroll	259.83 %	256.59 %	278.55 %	248.49 %
Plan fiduciary net position as a percentage of the total pension liability	62.54 %	61.49 %	57.47 %	61.70 %

*The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the fiscal year presented.

**This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

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

JACKSON-GEORGE REGIONAL LIBRARY SYSTEM
(A Component Unit of Jackson County, Mississippi)
SCHEDULE OF LIBRARY SYSTEM CONTRIBUTIONS-(PERS)
Public Employees Retirement System of Mississippi
Last 10 Fiscal Years (Only 4 Years Shown)**
(UNAUDITED)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 337,846	326,930	323,364	323,513
Contributions in relation to the contractually required contribution	<u>(337,846)</u>	<u>(326,930)</u>	<u>(323,364)</u>	<u>(323,513)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Library System's covered payroll	 \$ 2,144,467	 \$ 2,075,751	 2,053,104	 2,054,046
 Contributions as a percentage of covered payroll	 15.75 %	 15.75 %	 15.75 %	 15.75 %

**This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

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

JACKSON-GEORGE REGIONAL LIBRARY SYSTEM
(A Component Unit of Jackson County, Mississippi)
SCHEDULE OF LIBRARY SYSTEM'S PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY*
Other Postemployment Benefits (OPEB)
Last 10 Fiscal Years (Only 1 Year Shown)**
(UNAUDITED)

	<u>2018</u>
Library System's proportion of the net OPEB liability	0.0560 %
Library System's proportionate share of the net OPEB liability	\$ 432,991
Library System's covered-employee payroll	\$ 2,112,499
Library System's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	20.50 %
Plan fiduciary net position as a percentage of the total OPEB liability	0.13 %

*The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the fiscal year presented.

**This schedule is presented to illustrate the requirements to show information for 10 years. However, GASB Statement No. 75 was implemented in FYE September 30, 2018, until a full 10-year trend is compiled, information is presented for those years for which information is available.

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

JACKSON-GEORGE REGIONAL LIBRARY SYSTEM
(A Component Unit of Jackson County, Mississippi)
SCHEDULE OF LIBRARY SYSTEM CONTRIBUTIONS- (OPEB)
Other Postemployment Benefits (OPEB)
Last 10 Fiscal Years (Only 1 Year Shown)**
(UNAUDITED)

	<u>2018</u>
Contractually required contribution	\$ 19,284
Contributions in relation to the contractually required contribution	<u>(19,284)</u>
Contribution deficiency (excess)	<u>\$ -</u>
 Library System's covered-employee payroll	 \$ 2,144,467
 Contributions as a percentage of covered-employee payroll	 0.90 %

**This schedule is presented to illustrate the requirements to show information for 10 years. However, GASB Statement No. 75 was implemented in FYE September 30, 2018, until a full 10-year trend is compiled, information is presented for those years for which information is available.

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

JACKSON-GEORGE REGIONAL LIBRARY SYSTEM

(A Component Unit of Jackson County, Mississippi)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended September 30, 2018

(UNAUDITED)

NOTE 1. BUDGETARY COMPARISON SCHEDULE

A. Budgetary Information

Statutory requirements dictate how and when the Library System's budget is to be prepared. Generally, during June, a budget is prepared by the Library System's management and submitted to the Board of Trustees for approval. The completed budget for the fiscal year includes for all funds every source of revenue, each general item of expenditure, and unencumbered cash and investment balances. On a periodic basis, as required by changing conditions, the budgeted amounts are amended.

The Library's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year-end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP, Cash Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP, Cash Basis) and variance between the final budget and the actual amounts. The schedule is presented for the General Fund and Grant Management Fund collectively of the Library System. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP, Cash Basis) is a part of required supplemental information.

C. Excess of Expenditures over Budget

There were no expenditures in excess of budgeted expenditures for the fiscal year ended September 30, 2018.

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.

JACKSON-GEORGE REGIONAL LIBRARY SYSTEM
(A Component Unit of Jackson County, Mississippi)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2018
(UNAUDITED)

NOTE 2. PENSION SCHEDULES (Continued)

2016:

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

2017:

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

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

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

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

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.

C. Method and assumptions used in calculations of actuarially determined contributions

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2016 valuation for the June 30, 2018 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	33.9 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.75 percent to 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation.

JACKSON-GEORGE REGIONAL LIBRARY SYSTEM
(A Component Unit of Jackson County, Mississippi)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2018
(UNAUDITED)

NOTE 3. OPEB SCHEDULES

A. Changes of Assumptions

2017:

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

2018:

The discount rate was changed from 3.56% for the prior Measurement Date to 3.89% for the current Measurement Date.

B. Changes in Benefit Provisions

2017:

None.

2018:

None.

C. Method and assumptions used in calculations of actuarially determined contributions

2017:

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

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	3 percent
Salary increases, including wage inflation	3.25 percent to 18.50 percent
Initial health care cost trend rate	
Medicare Supplemental Claims Pre-Medicare	7.75 percent
Ultimate health care cost trend rates	
Medicare Supplemental Claims Pre-Medicare	5.00 percent
Years of ultimate trend rates	
Medicare Supplemental Claims Pre-Medicare	2022
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56 percent

JACKSON-GEORGE REGIONAL LIBRARY SYSTEM

(A Component Unit of Jackson County, Mississippi)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended September 30, 2018

(UNAUDITED)

NOTE 3. OPEB SCHEDULES (continued)

2018:

The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from June 30, 2017 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2018:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	3 percent
Salary increases, including wage inflation	3.25 percent to 18.50 percent
Initial health care cost trend rate	
Medicare Supplemental Claims Pre-Medicare	7.75 percent
Ultimate health care cost trend rates	
Medicare Supplemental Claims Pre-Medicare	5.00 percent
Years of ultimate trend rates	
Medicare Supplemental Claims Pre-Medicare	2023
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.89 percent

SUPPLEMENTARY INFORMATION

Jackson County, Mississippi
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2018

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Agriculture			
Passed-through the Mississippi Department of Education			
Child Nutrition Cluster - School Breakfast Program	10.553	185MS326N1099	\$ 7,051
Child Nutrition Cluster - National School Lunch Program	10.555	185MS326N1099	13,509
Total Child Nutrition Cluster			20,560
Total Passed-through the Mississippi Department of Education			20,560
Total U.S. Department of Agriculture			20,560
U. S. Department of Housing and Urban Development			
Passed-through the Mississippi Development Authority			
Community Development Block Grants/State's Program	14.228	R-103-030-06-KED	10,000
Community Development Block Grants/State's Program	14.228	R-103-030-10-KED	30,911
Total Passed-through the Mississippi Development Authority			40,911
Total U.S. Department of Housing and Urban Development			40,911
U. S. Department of Interior			
National Park Service			
Passed-through the Mississippi Department of Marine Resources			
National Heritage Area Federal Financial Assistance	15.939	HGC-2016-002	14,668
Total Passed-through the Mississippi Department of Marine Resources			14,668
Total U.S. Department of Interior			14,668
U. S. Department of Transportation			
Federal Highway Administration			
Passed through the MS Department of Transportation			
Highway Planning and Construction*	20.205	MS134-030(1)B	109,603
Highway Planning and Construction*	20.205	STP-BR-9191(1)B	9,280
Highway Planning and Construction*	20.205	STP-9064-00(011)	970,259
Highway Planning and Construction*	20.205	STP-9068-00(001)	9,059
Highway Planning and Construction*	20.205	STP-9186-00(003)	43,607
Highway Planning and Construction*	20.205	BR-NBIS	23,800
Highway Planning and Construction*	20.205	STP-030-00(038)	80,978
Highway Planning and Construction*	20.205	STP-7757-00(001)	111,378
Total Passed-through the MS Department of Transportation			1,357,964
Passed-through the Mississippi Emergency Management Agency			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	18HMEP/LEPC	1,214
Total Passed-through the Mississippi Emergency Management Agency			1,214
Total U.S. Department of Transportation			1,359,178
U. S. Department of Health and Human Services			
Passed-through the MS State Dept. of Health / Dept. of Epidemiology			
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	NU50CK000414-03-04	45,039
Total Passed-through the MS State Dept. of Health / Dept. of Epidemiology			45,039
Total U.S. Department of Health and Human Services			45,039
U. S. Department of Homeland Security			
Passed through the MS Emergency Management Agency			
Disaster Grants - Public Assistance	97.036	4350-DR-MS	697,902
Emergency Management Performance Grant	97.042	18EMPG	93,107
Total Passed-through the MS Emergency Management Agency			791,009
Passed through the MS Department of Public Safety			
Homeland Security Grant Program	97.067	S16LE030	13,521
Homeland Security Grant Program	97.067	S17LE030	54,057
Total Passed-through the MS Department of Public Safety			67,578
Total U.S. Department of Homeland Security			858,587
Total Expenditures of Federal Awards			\$ 2,338,943

* Denotes major federal award program.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

Note B - Jackson County did not elect to use the 10% de minimis cost rate.

Jackson County, Mississippi
Component Units - Combining Statement of Net Position
September 30, 2018

	Singing River Health/Mental Retardation Services	Singing River Health System	West Jackson County Utility District	Jackson County Emergency Communications District	Jackson County Port Authority	Jackson-George Regional Library System	Total
Assets							
Cash and cash equivalents	\$ 1,190,311	\$ 53,743,573	\$ 3,571,923	\$ 597,777	\$ 15,566,455	\$ 1,138,020	\$ 75,808,059
Investments		32,461,470					32,461,470
Restricted assets - cash	425,074	2,767,322	6,091,101		15,377,389		24,660,886
Deposits	2,830						2,830
Grants receivable	222,082						222,082
Receivables, net of allowance	542,868	36,295,959	847,795	198,838	4,642,503	181,865	42,709,828
Other receivables		790,597					790,597
Inventories and prepaid items	119,523	8,311,208	142,267	129,741	541,586	56,832	9,301,157
Trusted bond funds		10,182,451					10,182,451
Held by trustees for self-insurance funding		3,617,391					3,617,391
Held by trustee for pension funding		8,891,980					8,891,980
Investment in surgery centers		4,167,476					4,167,476
Land and construction in progress	10,000	15,226,679	11,553,185		17,710,167		44,500,031
Other capital assets, net of depreciation	3,543,373	165,495,799	35,337,954	1,946,209	65,061,663	1,423,494	272,808,492
Intangible assets		1,906,575					1,906,575
Other assets		1,626,000					1,626,000
Total Assets	6,056,061	345,484,480	57,544,225	2,872,565	118,899,763	2,800,211	533,657,305
Deferred Outflows of Resources							
Deferred outflows related to pension	52,702		296,289	29,071	382,275	215,308	975,645
Deferred outflows related to OPEB						18,753	18,753
Deferred amount on refunding		1,254,057					1,254,057
Total Deferred Outflows of Resources	52,702	1,254,057	296,289	29,071	382,275	234,061	2,248,455
Liabilities							
Accounts payable	35,769	16,763,123	1,457,832	75,581	4,268,635	37,828	22,638,768
Payroll liabilities	142,201	18,437,451					18,579,652
Accrued liabilities	412,633	919,383	188,530			809	1,521,355
Due to third party payors		5,695,876					5,695,876
Accrued interest payable				158			158
Unearned revenues					9,128,662		9,128,662
Customer deposits			557,575				557,575
Long-term liabilities							
Due within one year:							
Capital debt		7,815,137	1,811,323	117,711			9,744,171
Non-capital debt		1,420,925		15,864	92,661	77,694	1,607,144
Pension settlement liability		2,400,000					2,400,000
Due in more than one year:							
Capital debt		67,594,341	35,858,968		36,758,807		140,212,116
Non-capital debt		12,357,070		15,864	141,044	77,695	12,591,673
Pension settlement liability		69,612,144					69,612,144
Net OPEB liability						432,991	432,991
Net pension liability	10,595,203		3,214,322	365,925	8,316,486	5,488,880	27,980,816
Total Liabilities	11,185,806	203,015,450	43,088,550	591,103	58,706,295	6,115,897	322,703,101
Deferred Inflows of Resources							
Deferred inflows related to OPEB						30,851	30,851
Deferred inflows related to pension	261,134		79,221	9,018	204,971	135,281	689,625
Total Deferred Inflows of Resources	261,134	0	79,221	9,018	204,971	166,132	720,476
Net Position							
Net investment in capital assets	3,553,373	105,313,000	7,789,999	1,828,498	46,013,023	1,423,494	165,921,387
Restricted for:							
Debt service		12,949,773	3,011,286		1,374		15,962,433
Capital projects			2,522,740				2,522,740
Unemployment fund reserve					15,000		15,000
Harbor maintenance					8,089,423		8,089,423
Singing River Regional Facilities Foundation purposes	425,074						425,074
Other purposes					4,227	19,061	23,288
Unrestricted	(9,316,624)	25,460,314	1,348,718	473,017	6,247,725	(4,690,312)	19,522,838
Total Net Position	\$ (5,338,177)	\$ 143,723,087	\$ 14,672,743	\$ 2,301,515	\$ 60,370,772	\$ (3,247,757)	\$ 212,482,183

Jackson County, Mississippi

Statement of Revenues, Expenses, and Changes
in Net Position - Component Units
September 30, 2018

	Singing River Health/Mental Retardation Services	Singing River Health System	West Jackson County Utility District	Jackson County Emergency Communications District	Jackson County Port Authority	Jackson-George Regional Library System	Total
Operating Revenues							
Charges for services	\$	\$	\$	\$	\$ 15,185,879	\$ 133,562	\$ 15,319,441
Clients fees and work activity fees	78,376						78,376
Connection fees			270,905				270,905
County revenue	453,000						453,000
E-911 surcharges				1,418,690			1,418,690
Government grants	1,451,517						1,451,517
Grants and contributions					4,814,098	824,490	5,638,588
Medicaid	5,092,510						5,092,510
Other grants	103,877						103,877
Other revenues		9,758,860	253,459				10,012,319
Patient services revenues		345,543,757					345,543,757
Pharmacy sales	10,775						10,775
Sales to customers			8,331,265				8,331,265
Self pay and third party reimbursement	427,578						427,578
Total Operating Revenues	<u>7,617,633</u>	<u>355,302,617</u>	<u>8,855,629</u>	<u>1,418,690</u>	<u>19,999,977</u>	<u>958,052</u>	<u>394,152,598</u>
Operating Expenses							
Administrative and general			907,297		3,316,682		4,223,979
Bayou Casotte					5,119,394		5,119,394
Black Creek					773,786		773,786
Client fee waiver	13,908						13,908
Commodities	281,073						281,073
Contractual services	1,904,617						1,904,617
Depreciation and amortization	30,310	20,001,336	1,814,258	441,766			22,287,670
Employee benefits		27,032,098					27,032,098
General library services						4,548,354	4,548,354
Insurance				50,499			50,499
Industrial parks					774,412		774,412
Law library						80,209	80,209
Maintenance and operation			2,633,486	229,767			2,863,253
Other expenses		37,212,790					37,212,790
Pension expense (contra)		(248,527,602)					(248,527,602)
Pension liability adjustment due to GASB 68 and 71	364,040						364,040
Personnel costs	5,486,964						5,486,964
Port operations					12,676,085		12,676,085
Professional fees		4,675,666		66,521			4,742,187
Purchased services		36,528,069					36,528,069
Salaries and wages		133,502,673		240,272			133,742,945
Singing River Island					1,409,598		1,409,598
Supplies		79,355,220		23,703			79,378,923
Travel	125,047						125,047
Treatment and collection fees			1,383,660				1,383,660
Utilities and telephone				401,657			401,657
Youth services						52,955	52,955
Total Operating Expenses	<u>8,205,959</u>	<u>89,780,250</u>	<u>6,738,701</u>	<u>1,454,185</u>	<u>24,069,957</u>	<u>4,681,518</u>	<u>134,930,570</u>
Operating Income (Loss)	<u>(588,326)</u>	<u>265,522,367</u>	<u>2,116,928</u>	<u>(35,495)</u>	<u>(4,069,980)</u>	<u>(3,723,466)</u>	<u>259,222,028</u>
Non-Operating Revenues (Expenses)							
Ad valorem taxes			309,829			2,900,099	3,209,928
Equity method income		282,477					282,477
Gain (loss) on disposal of assets	(6,457)	-	(607)		-		(7,064)
Interest and investment income (expense)	14,756	(2,817,699)	(1,079,124)	(12,946)	284,260	11,524	(3,599,229)
Miscellaneous income					570,623	14,487	585,110
State health grant						274,476	274,476
State life grant						3,722	3,722
State personnel grant						179,251	179,251
Transfer (to) from other governments					1,228,655		1,228,655
Total Non-Operating Revenues (Expenses)	<u>8,299</u>	<u>(2,535,222)</u>	<u>(769,902)</u>	<u>(12,946)</u>	<u>2,083,538</u>	<u>3,383,559</u>	<u>2,157,326</u>
Change in Net Position	<u>(580,027)</u>	<u>262,987,145</u>	<u>1,347,026</u>	<u>(48,441)</u>	<u>(1,986,442)</u>	<u>(339,907)</u>	<u>261,379,354</u>
Net Position - Beginning, as previously reported	(4,758,150)	(119,264,058)	13,325,717	2,349,956	62,357,214	(2,467,622)	(48,456,943)
Prior Period Adjustment						(440,228)	(440,228)
Net Position - Beginning, as restated	<u>(4,758,150)</u>	<u>(119,264,058)</u>	<u>13,325,717</u>	<u>2,349,956</u>	<u>62,357,214</u>	<u>(2,907,850)</u>	<u>(48,897,171)</u>
Net Position - Ending	<u>\$ (5,338,177)</u>	<u>\$ 143,723,087</u>	<u>\$ 14,672,743</u>	<u>\$ 2,301,515</u>	<u>\$ 60,370,772</u>	<u>\$ (3,247,757)</u>	<u>\$ 212,482,183</u>

COMPONENT UNIT
SUPPLEMENTARY INFORMATION

Singing River Mental Health / Mental Retardation Services

SINGING RIVER MENTAL HEALTH / MENTAL RETARDATION SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

FEDERAL/GRANTOR PASS- THROUGH GRANTOR/PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Pass-Through Grantor's Number	Federal Expenditures
U.S. Department of Health and Human Services			
Passed through Mississippi Department of Mental Health			
Alcohol, Drug Abuse and Mental Health Services			
Block Grants:			
Recovery Support Services	93.959	7534-17SABG-RSS-14-29	79,892
Special Women's Residential	93.959	7561-17SABG-SWPHH-14-33	60,077
Intensive Outpatient Services	93.959	7513-17SABG-IOP-14-31	56,134
Special Women's Transitional Residential	93.959	7489-17-SABG-3QTR-14-31	25,706
STR Opioid (STOP)	93.788	7174-17-STOP-14	177,683
SOAR/CABHI Enhancement	93.243	6B13-SOAR-Region14	19,232
Supportive Services	93.243	78B5-MH4R-14	15,480
Substance Abuse Block Grant Services	93.959	7414-17-SABG-14-37	30,796
Prevention Services	93.959	7454-17SABG-14-37	45,000
Co-Occurring Disorders	93.959	6454-17BADs-CO-O-SABG-15	76,400
HIV- Early Intervention	93.959	7664-17SABG-HIV-EIS-14-18	12,344
Total			598,744
Community Mental Health Services Block Grant:			
CMHS - Purchase of Service	93.958	6414-17-CMHS-14	63,777
Intensive Community Support Services	93.958	6584-CMHS-ICM-14	37,707
Juvenile Outreach Program	93.958	8611-CMHS-CYS-14-17	20,000
Total			121,484
Total Federal Program Expenditures			\$ 720,228

See Independent Auditors' Report

SINGING RIVER MENTAL HEALTH / MENTAL RETARDATION SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

Note A – Basis of Presentation

The Schedule of Expenditures of Federal Awards (the Schedule) includes federal grants passed through the Mississippi Department of Mental Health for the year ending June 30, 2018. The information presented in this Schedule is 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). Due to the fact that the Schedule only presents a portion of the operations of the Agency, it is not intended to, nor does it present the financial position, changes in net assets or cash flows of the Agency. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note B – Summary of Significant Accounting Policies

The Schedule is reported on the accrual basis of accounting. Singing River Mental Health/Mental Retardation Services uses the accrual basis of accounting for the basic financial statements.

COMPONENT UNIT
SUPPLEMENTARY INFORMATION

Singing River Health System

Singing River Health System
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2018

Schedule of Expenditures Of Federal Awards

Federal Grantor / Pass-Through Federal Grantor / Program Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Homeland Security			
<i>Passed through Mississippi Emergency Management Agency</i> Federal Emergency Management Agency: Hazard Mitigation Grant Program	97.039	1604-0498	<u>\$ 1,658,175</u>
U.S. Department of Transportation			
<i>Passed through Mississippi Department of Transportation</i> Federal Transit Administration – Federal Transit Cluster: Section 5339 Bus and Bus Facilities Formula Program	20.526	76-0016-15-904	<u>36,840</u>
<i>Passed through Mississippi Department of Transportation</i> Federal Transit Administration – Transit Services Program: Section 5310 Enhanced Mobility of Seniors	20.513	76-0016-16-800	<u>44,637</u>
Total U.S Department of Transportation			<u>81,477</u>
U.S. Department of Housing and Urban Development			
<i>Passed through City of Pascagoula</i> Community Development Block Grant	14.218	1602	<u>7,323</u>
Total Expenditures of Federal Awards			<u>\$ 1,746,975</u>

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of Singing River Health System (the "Health System") under programs of the federal government for the year ended September 30, 2018. The information in the 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 Health System, it is not intended to and does not present the financial position, changes in net position or cash flows of the Health System.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the 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 to reimbursement.

The Health System has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Contingencies

The Health System's federal programs are subject to financial and compliance audits by grantor agencies which, if instances of material noncompliance are found, may result in disallowed expenditures and affect its continued participation in specific programs. The amount, if any, of expenditures, which may be disallowed by the grantor agencies, cannot be determined at this time. However, the Health System expects such amounts, if any, to be immaterial.

COMPONENT UNIT
SUPPLEMENTARY INFORMATION

Jackson County Port Authority

JACKSON COUNTY PORT AUTHORITY
(A Component Unit of Jackson County, Mississippi)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2018

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance (CFDA) Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Transportation</u>		
<i>Direct Program</i>		
National Infrastructure Investments	20.933*	<u>2,885,793</u>
Total U.S. Department of Transportation		<u>2,885,793</u>
Total for All Federal Awards		\$ <u>2,885,793</u>

* Major Program

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.

OTHER INFORMATION

Jackson County, Mississippi
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2018
UNAUDITED

Name	Position	Company	Bond
Barry Cumbest	Board of Supervisors	State Farm	\$ 100,000
Melton Harris Jr.	Board of Supervisors	State Farm	\$ 100,000
Ken Taylor	Board of Supervisors	Travelers	\$ 100,000
Troy Ross	Board of Supervisors	Travelers	\$ 100,000
Randy Bosarge	Board of Supervisors	Travelers	\$ 100,000
Brian Fulton	County Administrator	Old Republic Surety	\$ 100,000
Joshua Eldridge	Chancery Clerk	Travelers	\$ 100,000
Cynthia Steen	Purchase Clerk	Travelers	\$ 75,000
Susanne Samples	Assistant Purchase Clerk	Old Republic Surety	\$ 75,000
Meleana Overstreet	Receiving Clerk	Old Republic Surety	\$ 75,000
Aimee Carroll	Assistant Receiving Clerk	Travelers	\$ 50,000
Brenna Carson	Assistant Receiving Clerk	Travelers	\$ 50,000
Carey Crosby	Assistant Receiving Clerk	Travelers	\$ 50,000
Darcie Crew	Assistant Receiving Clerk	State Farm	\$ 50,000
David Cunningham	Assistant Receiving Clerk	Travelers	\$ 50,000
Katie Dees	Assistant Receiving Clerk	Travelers	\$ 50,000
Nina Fast	Assistant Receiving Clerk	Travelers	\$ 50,000
Mary Ferguson	Assistant Receiving Clerk	Travelers	\$ 50,000
Laura Fortman	Assistant Receiving Clerk	Travelers	\$ 50,000
Walton Furby	Assistant Receiving Clerk	Travelers	\$ 50,000
Brandi Gilliland	Assistant Receiving Clerk	Travelers	\$ 50,000
Linda Green	Assistant Receiving Clerk	Travelers	\$ 50,000
Jeremy Gregory	Assistant Receiving Clerk	Travelers	\$ 50,000
Jim Hart	Assistant Receiving Clerk	Travelers	\$ 50,000
Shandra Holliman	Assistant Receiving Clerk	Travelers	\$ 50,000
Anne Huffstatler	Assistant Receiving Clerk	Travelers	\$ 50,000
Eloria Jacob	Assistant Receiving Clerk	Travelers	\$ 50,000
Darlene Jones	Assistant Receiving Clerk	Travelers	\$ 50,000
Jessica Kasinec	Assistant Receiving Clerk	Travelers	\$ 50,000
Belinda Lamey	Assistant Receiving Clerk	Old Republic Surety	\$ 50,000
Rhonda Maguire	Assistant Receiving Clerk	Travelers	\$ 50,000
Desiree McIlrath	Assistant Receiving Clerk	Travelers	\$ 50,000
Dana Anglea Miller	Assistant Receiving Clerk	Travelers	\$ 50,000
Brooke Monk	Assistant Receiving Clerk	Travelers	\$ 50,000
Joseph Nicholson	Assistant Receiving Clerk	Travelers	\$ 50,000
Donna Page	Assistant Receiving Clerk	Travelers	\$ 50,000
Dagmar Ruffin	Assistant Receiving Clerk	Travelers	\$ 50,000
Christina Simon	Assistant Receiving Clerk	Travelers	\$ 50,000
Kimberly Stewart	Assistant Receiving Clerk	Travelers	\$ 50,000
Stephanie Tagert	Assistant Receiving Clerk	Travelers	\$ 50,000
Donna Thomas	Assistant Receiving Clerk	Travelers	\$ 50,000
Lori Turner	Assistant Receiving Clerk	Old Republic Surety	\$ 50,000
Sonya Vaughn	Assistant Receiving Clerk	Travelers	\$ 50,000
Marcus Watson	Assistant Receiving Clerk	Travelers	\$ 50,000
Melissa Werner	Assistant Receiving Clerk	Travelers	\$ 50,000
Alecia Wilson	Assistant Receiving Clerk	Travelers	\$ 50,000
Nancy Anglada	Inventory Control Clerk	Travelers	\$ 75,000
Diana Dixon	Assistant Inventory Control Clerk	RLI Insurance	\$ 50,000
Joe O'Neal	Road Manager	Old Republic Surety	\$ 50,000

Jackson County, Mississippi
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2018
UNAUDITED

Name	Position	Company	Bond
Randy Carney	Circuit Clerk	Travelers	\$ 100,000
Walter Ezell	Sheriff	Travelers	\$ 100,000
Kerry Fountain	Constable	Travelers	\$ 50,000
Clavin Hutchins	Constable	Travelers	\$ 50,000
Kenneth Shane Langfitt	Constable	Travelers	\$ 50,000
Tymothe Thompson	Constable	Travelers	\$ 50,000
Daniel Guice	Justice Court Judge	Travelers	\$ 50,000
Matthew Lachaussee	Justice Court Judge	Travelers	\$ 50,000
Ennis Millender	Justice Court Judge	Travelers	\$ 50,000
Jason Thornton	Justice Court Judge	Travelers	\$ 50,000
Lisa Fairley	Justice Court Clerk	Travelers	\$ 100,000
Jessica Ferguson	Deputy Justice Court Clerk	Travelers	\$ 50,000
Laura Hasty	Deputy Justice Court Clerk	Travelers	\$ 50,000
Debra Henderson	Deputy Justice Court Clerk	Travelers	\$ 50,000
Pamela Johnson	Deputy Justice Court Clerk	Old Republic Surety	\$ 50,000
Rebecca Lewis	Deputy Justice Court Clerk	Travelers	\$ 50,000
Marilynn Miller-Evans	Deputy Justice Court Clerk	Travelers	\$ 50,000
Marsha Moore	Deputy Justice Court Clerk	Travelers	\$ 50,000
Julia Peterson	Deputy Justice Court Clerk	Travelers	\$ 50,000
Sherri White	Deputy Justice Court Clerk	Travelers	\$ 50,000
Cynthia Wilkerson	Deputy Justice Court Clerk	Travelers	\$ 50,000
Mercedes Williams	Deputy Justice Court Clerk	Travelers	\$ 50,000
Theresa Wooten	Deputy Justice Court Clerk	Travelers	\$ 50,000
Lizzie Worthy	Deputy Justice Court Clerk	Travelers	\$ 50,000
Nicholas Elmore	Tax Assessor	Travelers	\$ 100,000
Mary Ann Fontenot	Deputy Tax Assessor	Travelers	\$ 50,000
Jenna Pitts-Hamilton	Deputy Tax Assessor	Travelers	\$ 50,000
Joe Tucker	Tax Collector	Travelers	\$ 100,000
Crystal Ables	Deputy Tax Collector	Travelers	\$ 50,000
Jessica Alexander	Deputy Tax Collector	Travelers	\$ 50,000
Kacee Bellais	Deputy Tax Collector	Travelers	\$ 50,000
Shalimar Bliss	Deputy Tax Collector	Travelers	\$ 50,000
Deborah Broome	Deputy Tax Collector	Travelers	\$ 50,000
Stephanie Chambers	Deputy Tax Collector	Travelers	\$ 50,000
Lequetta Cooley	Deputy Tax Collector	Travelers	\$ 50,000
Carey Crosby	Deputy Tax Collector	Travelers	\$ 50,000
Sylvia Crawley	Deputy Tax Collector	Travelers	\$ 50,000
Angela Guy	Deputy Tax Collector	Travelers	\$ 50,000
Mary Johnson	Deputy Tax Collector	Travelers	\$ 50,000
Colleen Ladnier	Deputy Tax Collector	RLI Insurance	\$ 50,000
Jill Lamey	Deputy Tax Collector	Travelers	\$ 50,000
Valerie Mason	Deputy Tax Collector	Travelers	\$ 50,000
Ora Moulds	Deputy Tax Collector	Travelers	\$ 50,000
Jamison Palmer	Deputy Tax Collector	Travelers	\$ 50,000
Mary Ann Rogers	Deputy Tax Collector	Travelers	\$ 50,000
Nancy Scott	Deputy Tax Collector	Travelers	\$ 50,000
Janice Sharp	Deputy Tax Collector	Old Republic Surety	\$ 50,000

Jackson County, Mississippi

Schedule of Surety Bonds for County Officials

For the Year Ended September 30, 2018

UNAUDITED

Name	Position	Company	Bond
Kayla Sutherland	Deputy Tax Collector	Travelers	\$ 50,000
Stephanie Tagert	Deputy Tax Collector	Travelers	\$ 50,000
April Thompson	Deputy Tax Collector	Travelers	\$ 50,000
Jennifer Waltman	Deputy Tax Collector	Travelers	\$ 50,000
Regina Ward	Deputy Tax Collector	Travelers	\$ 50,000
Cathy Wells	Deputy Tax Collector	Travelers	\$ 50,000
Teresa White	Deputy Tax Collector	Travelers	\$ 50,000
Joshua Eldridge	Comptroller	Old Republic Surety	\$ 100,000
Samantha Wells	Finance Director	Travelers	\$ 100,000
Mary Angela Benigno	Assistant Finance Director	Travelers	\$ 100,000
Vicki L. Broadus	Coroner	Travelers	\$ 10,000

SPECIAL REPORTS

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board of Supervisors
Jackson County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Jackson County, Mississippi, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 9, 2019. Our report includes a reference to other auditors who audited the financial statements of Singing River Health / Mental Retardation Services, Jackson County Port Authority, Singing River Health System, West Jackson County Utility District, Jackson County Emergency Communications District and Jackson-George Regional Library System, as described in our report on the Jackson County, Mississippi financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Fortenberry & Ballard, PC

Fortenberry & Ballard PC
May 9, 2019

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board of Supervisors
Jackson County, Mississippi

Report on Compliance for Each Major Federal Program

We have audited Jackson County, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Jackson County, Mississippi's major federal programs for the year ended September 30, 2018. Jackson County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Jackson County's basic financial statements include the operations of the Jackson County Port Authority, Singing River Health System and Singing River Mental Health / Mental Retardation Services and, which received \$2,885,793, \$1,746,975 and \$720,228, respectively, in federal awards which is not included in the schedule during the year ended September 30, 2018. Our audit, described below, did not include the operations of the Singing River Health / Mental Retardation Services, Singing River Health System, West Jackson County Utility District, Jackson County Emergency Communications District, Jackson County Port Authority and Jackson-George Regional Library System because these component units engaged another auditors to perform an audit in accordance with the Uniform Guidance.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Jackson County, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform*

Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jackson County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Jackson County, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
May 9, 2019

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))

Members of the Board of Supervisors
Jackson County, Mississippi

We have examined Jackson County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2018. The Board of Supervisors of Jackson County, Mississippi, is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Jackson County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, Jackson County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2018.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination and, in our opinion, is fairly presented in relation to that examination.

1929 SPILLWAY ROAD, SUITE B
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

This report is intended for use in evaluating Jackson County, Mississippi's compliance with the aforementioned requirements, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
May 9, 2019

Certified Public Accountants

Jackson County, Mississippi

Schedule of Purchases From Other than the Lowest Bidder
For the Year Ended September 30, 2018

Schedule 1

Our tests results did not identify any purchase from other than the lowest bidder.

Jackson County, Mississippi
Schedule of Emergency Purchases
For the Year Ended September 30, 2018

Schedule 2

Our test results did not identify any emergency purchases.

Jackson County, Mississippi**Schedule 3**

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2018

Date	Item Purchased	Amount Paid	Vendor
11/6/2017	Surveillance Software and Camera Kit	\$ 9,234	Cellebrite USA Corp
03/05/18	3D Laser Scanner	\$ 43,320	FARO Technologies Inc
04/17/18	Flir systems multi sensor imaging system	\$ 32,500	Bison Aviation LLC
05/08/18	Badgepass Reader and Equipment	\$ 82,609	Badgepass inc
08/06/18	Two (2) York 400 Ton YMC2 Chillers	\$ 534,472	Johnson Controls Inc

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

LIMITED INTERNAL CONTROL
AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Jackson County, Mississippi

In planning and performing our audit of the financial statements of Jackson County, Mississippi for the year ended September 30, 2018, we considered Jackson County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Jackson County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated May 9, 2019, on the financial statements of Jackson County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
May 9, 2019

Certified Public Accountants

1929 SPILLWAY ROAD, SUITE B
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Jackson County, Mississippi

Schedule of Findings and Question Costs For the Year Ended September 30, 2018

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements: Unmodified.
2. Internal control over financial reporting:
 - a. Material weakness identified? No.
 - b. Significant deficiency identified? None.
3. Noncompliance material to financial statements noted? No.

Federal Awards:

4. Internal control over major federal programs:
 - a. Material weakness identified? No.
 - b. Significant deficiency identified? None reported.
5. Type of auditor's report issued on compliance for major federal programs: Unmodified.
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No.
7. Identification of major federal programs:

CFDA Numbers

Name of Federal Program or Cluster

20.205

Highway Planning and Construction Program

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000.
9. Auditee qualified as a low-risk auditee? No.
10. Prior fiscal year audit finding and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.511(b). Yes.

Section II: Financial Statement Findings

The results of our tests did not disclose any finding related to the financial statements that is required to be reported by *Government Auditing Standards*.

Section III: Federal Award Findings and Questioned Costs

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

SUMMARY OF PRIOR AUDIT FINDING

JACKSON COUNTY BOARD OF SUPERVISORS

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Gateway to the
Mississippi Gulf Coast



SUMMARY OF PRIOR AUDIT FINDING

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), the Jackson County has prepared and hereby submits the following summary of prior year audit findings follow up as of September 30, 2018:

Finding
2017-001

Status
Corrected


County Administrator