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JACKSON COUNTY SCHOOL DISTRICT

AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

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Wolfe • McDuff & Oppie
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INDEPENDENT AUDITOR'S REPORT

To the Superintendent and School Board
Jackson County School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson County School District (the School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Jackson County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson County School District, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Membership in:

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



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, and net pension and OPEB schedules on pages 11 - 20, 67, and 68 - 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jackson County School District's basic financial statements. The Schedule of Instructional, Administrative, and Other Expenditures for Governmental Funds, and the Other Information section, which includes the Statement of Revenues, Expenditures, and Changes in Fund Balance-General Fund, Last Four Years and the Statement of Revenues, Expenditures, and Changes in Fund Balance-All Governmental Funds, Last Four Years, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2019, on our consideration of the Jackson County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Jackson County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Jackson County School District's internal control over financial reporting and compliance.

Wolfe, McDuff & Oppie

Wolfe, McDuff & Oppie, P.A.

Pascagoula, Mississippi

March 20, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

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JACKSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2018

The following discussion and analysis of Jackson County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2018. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- ◆ Total net position for 2018 decreased \$(7,754,096), including a prior period adjustment of \$(6,391,012), which represents a 117% decrease from fiscal year 2017. Total net position for 2017 decreased \$(3,682,542), including a prior period adjustment of \$305,721 which represents a 36% decrease from fiscal year 2016.
- ◆ General revenues amounted to \$77,191,893 and \$76,084,666, or 88% and 88% of all revenues for fiscal years 2018 and 2017, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$10,900,908, or 12% of total revenues for 2018, and \$10,123,854, or 12% of total revenues for 2017.
- ◆ The School District had \$89,455,885 and \$90,196,783 in expenses for fiscal years 2018 and 2017; only \$10,900,908 for 2018 and \$10,123,854 for 2017 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$77,191,893 for 2018 and \$76,084,666 for 2017 were not adequate to provide for these programs.
- ◆ Among major funds, the General Fund had \$76,954,393 in revenues and \$69,103,488 in expenditures for 2018, and \$76,150,845 in revenues and \$68,531,125 in expenditures in 2017. The General Fund's fund balance increased by \$1,885,846, including a prior period adjustment of \$236,825 from 2017 to 2018, and increased by \$6,865,051 from 2016 to 2017.
- ◆ Capital assets, net of accumulated depreciation, increased by \$3,852,860 for 2018 and decreased by \$(1,825,528) for 2017. The increase for 2018 was due primarily to the addition of several construction in progress projects.
- ◆ Long-term debt increased by \$446,814 for 2018 and decreased by \$(192,897) for 2017. This increase for 2018 was due primarily to the issuance of a shortfall note payable. The liability for compensated absences decreased by \$(13,176) for 2018 and increased by \$119,979 for 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

JACKSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2018

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

JACKSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2018

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

JACKSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2018

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the School District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$1,144,607 as of June 30, 2018.

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

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

Table 1
Condensed Statement of Net Position

	2018	2017	Percentage Change
Current assets	\$ 24,053,852	23,156,361	4 %
Restricted assets	5,451,708	4,676,045	17 %
Capital assets, net	93,041,519	89,188,659	4 %
Total Assets	<u>122,547,079</u>	<u>117,021,065</u>	5 %
Deferred Outflows of Resources	<u>12,485,983</u>	<u>25,737,615</u>	(51)%
Current liabilities	2,815,215	1,253,348	125 %
Long-term liabilities	12,122,110	11,675,296	4 %
Net pension liabilities	107,220,891	122,893,979	(13)%
Net OPEB Liability	6,633,265	-	N/A
Total Liabilities	<u>128,791,481</u>	<u>135,822,623</u>	(5)%
Deferred Inflows of Resources	<u>7,386,188</u>	<u>326,568</u>	2,162 %
Net Position:			
Net investment in capital assets	83,512,619	78,313,888	7 %
Restricted	5,304,050	4,985,407	6 %
Unrestricted	(89,961,276)	(76,689,806)	(17)%
Total Net Position	<u>\$ (1,144,607)</u>	<u>6,609,489</u>	(117)%

JACKSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2018

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (89,961,276)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the deferred outflows and deferred inflows related to pensions and OPEB	<u>108,754,361</u>
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 18,793,085</u>

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

- ◆ Increase in net capital assets in the amount of \$3,852,860.
- ◆ The issuance of \$1,805,861 and the principal retirement of \$1,359,047 of long-term debt.
- ◆ Implementation of GASB 75 which resulted in the recognition of a net OPEB liability in the amount of \$6,633,265.

Changes in net position

The School District's total revenues for the fiscal years ended June 30, 2018 and June 30, 2017 were \$88,092,801 and \$86,208,520, respectively. The total cost of all programs and services was \$89,455,885 for 2018 and \$90,196,783 for 2017.

JACKSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2018

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

Table 2
Changes in Net Position

	<u>2018</u>	<u>2017</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 2,121,959	1,692,279	25 %
Operating grants and contributions	8,496,893	8,231,850	3 %
Capital grants and contributions	282,056	199,725	41 %
General revenues:			
Property taxes	36,149,079	34,904,401	4 %
Grants and contributions not restricted	39,401,526	38,709,990	2 %
Investment earnings	178,405	116,185	54 %
Sixteenth section sources	375,438	455,271	(18)%
Other	<u>1,087,445</u>	<u>1,898,819</u>	(43)%
Total Revenues	<u>88,092,801</u>	<u>86,208,520</u>	2 %
Expenses:			
Instruction	38,014,523	40,964,530	(7)%
Support Services	27,976,839	28,599,841	(2)%
Non-instructional	11,051,844	4,782,560	131 %
Sixteenth section	12,030	22,398	(46)%
Pension expense	11,868,944	15,644,917	(24)%
OPEB expense	345,253	-	N/A
Interest on long-term liabilities	<u>186,452</u>	<u>182,537</u>	2 %
Total Expenses	<u>89,455,885</u>	<u>90,196,783</u>	(1)%
Increase (Decrease) in Net Position	<u>(1,363,084)</u>	<u>(3,988,263)</u>	66 %
Net Position, July 1, as previously reported	6,609,489	10,292,031	(36)%
Prior Period Adjustment	<u>(6,391,012)</u>	<u>305,721</u>	(2,190)%
Net Position, July 1, as restated	<u>218,477</u>	<u>10,597,752</u>	(98)%
Net Position, June 30	<u>\$ (1,144,607)</u>	<u>6,609,489</u>	(117)%

JACKSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2018

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2018	2017	
Instruction	\$ 38,014,523	40,964,530	(7)%
Support services	27,976,839	28,599,841	(2)%
Non-instructional	11,051,844	4,782,560	131 %
Sixteenth section	12,030	22,398	(46)%
Pension expense	11,868,944	15,644,917	(24)%
OPEB expense	345,253	-	N/A
Interest on long-term liabilities	186,452	182,537	2 %
Total Expenses	\$ 89,455,885	90,196,783	(1)%

	Net (Expense) Revenue		Percentage Change
	2018	2017	
Instruction	\$ (32,060,375)	(31,691,254)	1 %
Support services	(27,660,306)	(28,599,841)	(3)%
Non-instructional	(6,421,617)	(3,931,982)	63 %
Sixteenth section	(12,030)	(22,398)	(46)%
Pension expense	(11,868,944)	(15,644,917)	(24)%
OPEB expense	(345,253)	-	N/A
Interest on long-term liabilities	(186,452)	(182,537)	2 %
Total Net (Expense) Revenue	\$ (78,554,977)	(80,072,929)	(2)%

- ◆ Net cost of governmental activities (\$(78,554,977) for 2018 and \$(80,072,929) for 2017) was financed by general revenue, which is primarily made up of property taxes (\$36,149,079 for 2018 and \$34,904,401 for 2017) and state and federal revenues (\$39,401,526 for 2018 and \$38,709,990 for 2017). In addition, there was \$375,438 and \$455,271 in Sixteenth Section sources for 2018 and 2017, respectively.
- ◆ Investment earnings amounted to \$178,405 for 2018 and \$116,185 for 2017.

JACKSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2018

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

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

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

The financial performance of the School District as a whole is reflected in its governmental funds. As the School District completed the year, its governmental funds reported a combined fund balance of \$25,169,669, an increase of \$176,137, which includes a prior period adjustment of \$91,873 and a decrease in inventory of \$(44,617). \$18,597,757 or 74% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$6,571,912 or 26% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the School District. The increase in fund balance in the General Fund for the fiscal year was \$1,885,846, which includes a prior period adjustment of \$236,825. The fund balance of Other Governmental Funds showed an increase in the amount of \$226,312, which includes a prior period adjustment of \$(144,952) and a decrease in reserve for inventory of \$(44,617), due primarily to normal operations.

The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase/ (Decrease)
Construction and Improvements Fund	\$ (1,936,021)

BUDGETARY HIGHLIGHTS

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

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

JACKSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2018

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2018, the School District's total capital assets were \$140,262,933, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$6,821,158 from 2017. Total accumulated depreciation as of June 30, 2018, was \$47,221,414, and total depreciation expense for the year was \$3,248,284, resulting in total net capital assets of \$93,041,519.

Table 4
Capital Assets, Net of Accumulated Depreciation

	2018	2017	Percentage Change
Land	\$ 343,261	343,261	- %
Construction in progress	3,618,474	-	N/A
Buildings	80,895,206	80,633,716	- %
Building improvements	3,375,666	3,198,767	6 %
Improvements other than buildings	1,649,894	1,773,778	(7)%
Mobile equipment	2,360,812	2,360,882	- %
Furniture and equipment	680,972	647,237	5 %
Leased property under capital leases	117,234	231,018	(49)%
Total	\$ 93,041,519	89,188,659	4 %

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

Debt Administration. At June 30, 2018, the School District had \$12,122,110 in outstanding long-term debt, of which \$2,047,667 is due within one year. The liability for compensated absences decreased \$(13,176) from the prior year.

Table 5
Outstanding Long-Term Debt

	2018	2017	Percentage Change
Three mill note payable	\$ 5,575,000	6,650,000	(16)%
Obligations under capital lease	234,712	317,714	(26)%
Obligations under energy efficiency lease	719,188	907,057	(21)%
Shortfall notes payable	1,805,861	-	N/A
Qualified school construction bond payable	3,000,000	3,000,000	-
Compensated absences payable	787,349	800,525	(2)%
Total	\$ 12,122,110	11,675,296	4 %

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

JACKSON COUNTY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2018

CURRENT ISSUES

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

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

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

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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JACKSON COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION June 30, 2018

Exhibit A

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 21,268,119
Due from other governments	1,491,763
Prepaid items	1,184,076
Inventories	109,894
Restricted assets	5,451,708
Capital assets, non-depreciable	
Land	343,261
Construction in progress	3,618,474
Capital assets, net of accumulated depreciation	
Buildings	80,895,206
Building improvements	3,375,666
Improvements other than buildings	1,649,894
Mobile equipment	2,360,812
Furniture and equipment	680,972
Leased property under capital leases	117,234
Total Assets	<u>122,547,079</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	12,111,943
Deferred outflows related to OPEB	374,040
Total Deferred Outflows of Resources	<u>12,485,983</u>
LIABILITIES	
Accounts payable and accrued liabilities	2,578,183
Unearned income	134,179
Interest payable on long-term liabilities	102,853
Long-term liabilities, due within one year	
Capital related liabilities	1,066,127
Non-capital related liabilities	981,540
Net OPEB liability	282,786
Long-term liabilities, due beyond one year	
Capital related liabilities	8,462,773
Non-capital related liabilities	1,611,670
Net pension liability	107,220,891
Net OPEB liability	6,350,479
Total Liabilities	<u>128,791,481</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	7,048,425
Deferred inflows related to OPEB	337,763
Total Deferred Inflows of Resources	<u>7,386,188</u>
NET POSITION	
Net investment in capital assets	83,512,619
Restricted for:	
Expendable:	
School-based activities	1,542,374
Debt Service	2,750,385
Forestry improvements	194,818
Unemployment benefits	156,896
Non-expendable	
Sixteenth section	659,577
Unrestricted	(89,961,276)
Total Net Position	<u>\$ (1,144,607)</u>

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

JACKSON COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES For the Year Ended June 30, 2018

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 38,014,523	1,257,240	4,696,908	-	(32,060,375)
Support services	27,976,839	-	316,533	-	(27,660,306)
Non-instructional	11,051,844	864,719	3,483,452	282,056	(6,421,617)
Sixteenth section	12,030	-	-	-	(12,030)
Pension expense	11,868,944	-	-	-	(11,868,944)
OPEB expense	345,253	-	-	-	(345,253)
Interest on long-term liabilities	186,452	-	-	-	(186,452)
Total Governmental Activities	\$ 89,455,885	2,121,959	8,496,893	282,056	(78,554,977)
General Revenues:					
Taxes:					
General purpose levies					34,225,181
Debt purpose levies					1,923,898
Unrestricted grants and contributions:					
State					39,232,657
Federal					168,869
Unrestricted investment earnings					178,405
Sixteenth section sources					375,438
Other					1,087,445
Total General Revenues					77,191,893
Change in Net Position					(1,363,084)
Net position - Beginning, as originally reported					6,609,489
Prior period adjustment, Note 10					(6,391,012)
Net position - Beginning, as restated					218,477
Net position - Ending					\$ (1,144,607)

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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JACKSON COUNTY SCHOOL DISTRICT

BALANCE SHEET-GOVERNMENTAL FUNDS

Exhibit C

June 30, 2018

	Major Funds			
		Construction and Improvements Fund	Other Governmental Funds	Total Governmental Funds
	General Fund			
ASSETS				
Cash and cash equivalents	\$ 19,566,697	1,701,419	3,631,565	24,899,681
Cash with fiscal agents	-	-	1,820,143	1,820,143
Due from other governments	867,765	-	623,998	1,491,763
Due from other funds	100,097	-	34,379	134,476
Inventories	-	-	109,894	109,894
Total Assets	\$ 20,534,559	1,701,419	6,219,979	28,455,957
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,236,297	1,110,204	231,682	2,578,183
Unearned income	-	-	134,179	134,179
Due to other funds	34,379	-	100,097	134,476
Total Liabilities	1,270,676	1,110,204	465,958	2,846,838
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	439,450	439,450
Total Deferred Inflows of Resources	-	-	439,450	439,450
FUND BALANCE				
Nonspendable:				
Inventory	-	-	109,894	109,894
Permanent fund principal	-	-	659,577	659,577
Restricted:				
Debt service	-	-	2,853,238	2,853,238
Forestry improvement purposes	-	-	194,818	194,818
School-based activities	92,332	-	1,340,148	1,432,480
Unemployment benefits	-	-	156,896	156,896
Assigned:				
Activity funds	573,794	-	-	573,794
Capital improvements	-	591,215	-	591,215
Unassigned	18,597,757	-	-	18,597,757
Total Fund Balance	19,263,883	591,215	5,314,571	25,169,669
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 20,534,559	1,701,419	6,219,979	28,455,957

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

JACKSON COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION June 30, 2018

Exhibit C-1

Total governmental fund balance \$ 25,169,669

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 93,041,519

Some of the School District's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds. 439,450

Prepaid items, such as prepaid insurance, are accounted for as expenditures in the period of acquisition and, therefore, are not reported in the funds. 1,184,079

Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds. (107,220,891)

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

Deferred outflows of resources related to pensions	\$ 12,111,943	
Deferred inflows of resources related to pensions	<u>(7,048,425)</u>	5,063,518

Net OPEB obligations are not due and payable in the current period and, therefore, are not reported in the funds. (6,633,265)

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

Deferred outflows of resources related to OPEB	374,040	
Deferred inflows of resources related to OPEB	<u>(337,763)</u>	36,277

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

Capital leases	(953,900)	
Notes payable	(7,380,861)	
Bonds payable	(3,000,000)	
Accrued interest payable	(102,853)	
Compensated absences	<u>(787,349)</u>	<u>(12,224,963)</u>

Net position of governmental activities \$ (1,144,607)

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

JACKSON COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS For the Year Ended June 30, 2018

Exhibit D

	<u>Major Funds</u>			
		Construction and Improvements Fund	Other Governmental Funds	Total Governmental Funds
	<u>General Fund</u>			
REVENUES				
Local sources	\$ 36,163,625	-	2,758,412	38,922,037
State sources	40,160,988	-	1,766,136	41,927,124
Federal sources	260,764	-	6,627,509	6,888,273
Sixteenth section	369,016	-	6,422	375,438
Total Revenues	<u>76,954,393</u>	<u>-</u>	<u>11,158,479</u>	<u>88,112,872</u>
EXPENDITURES				
Instruction	41,738,086	-	4,620,189	46,358,275
Support services	27,242,933	138,726	2,597,854	29,979,513
Noninstructional services	23,612	-	3,846,155	3,869,767
Sixteenth section	6,854	-	5,176	12,030
Debt service				
Principal	83,002	-	1,270,001	1,353,003
Interest	8,929	-	177,523	186,452
Other	72	-	4,636	4,708
Facilities acquisition and construction	-	5,980,475	-	5,980,475
Total Expenditures	<u>69,103,488</u>	<u>6,119,201</u>	<u>12,521,534</u>	<u>87,744,223</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>7,850,905</u>	<u>(6,119,201)</u>	<u>(1,363,055)</u>	<u>368,649</u>
OTHER FINANCING SOURCES (USES)				
Insurance recovery	10,741	-	-	10,741
Payment of judgment	(250,509)	-	-	(250,509)
Operating transfers in (out)	(5,962,116)	4,183,180	1,778,936	-
Total Other Financing Sources (Uses)	<u>(6,201,884)</u>	<u>4,183,180</u>	<u>1,778,936</u>	<u>(239,768)</u>
Net Change in Fund Balances	<u>1,649,021</u>	<u>(1,936,021)</u>	<u>415,881</u>	<u>128,881</u>
Fund Balance - Beginning, as originally reported	17,378,037	2,527,236	5,088,259	24,993,532
Prior period adjustment, Note 10	236,825	-	(144,952)	91,873
Fund Balance - Beginning, as restated	<u>17,614,862</u>	<u>2,527,236</u>	<u>4,943,307</u>	<u>25,085,405</u>
Increase (Decrease) in reserve for inventory	-	-	(44,617)	(44,617)
Fund Balance - Ending	<u>\$ 19,263,883</u>	<u>591,215</u>	<u>5,314,571</u>	<u>25,169,669</u>

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

JACKSON COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES For the Year Ended June 30, 2018

Exhibit D-1

Net change in fund balances - total governmental funds \$ 128,881

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

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

Capital outlay	\$ 7,056,815	
Depreciation expense	<u>(3,248,284)</u>	3,808,531

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

(7,307)

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

(23,480)

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

Bonds and notes issued	(1,805,861)	
Payments of debt principal	1,345,870	
Accrued interest payable	<u>-</u>	(459,991)

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

Pension expense	(11,868,944)	
Contributions subsequent to the measurement date	<u>7,194,503</u>	(4,674,441)

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

OPEB expense	(345,253)	
Contributions made subsequent to the measurement date	<u>282,786</u>	(62,467)

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

Change in compensated absences	13,176	
Change in inventory reserve	(44,617)	
Prepaid items	<u>(41,369)</u>	<u>(72,810)</u>

Change in net position of governmental activities	\$	<u>(1,363,084)</u>
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The notes to the financial statements are an integral part of this statement.

FIDUCIARY FUND FINANCIAL STATEMENTS

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JACKSON COUNTY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

Exhibit E

June 30, 2018

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 4,735,410
Total Assets	<u>\$ 4,735,410</u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 4,443,943
Due to student clubs	<u>291,467</u>
Total Liabilities	<u>\$ 4,735,410</u>

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

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NOTES TO BASIC FINANCIAL STATEMENTS

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JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The School District reports the following major governmental funds:

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

Construction and Improvements Fund - This fund accounts for the capital expenditures funded with local resources.

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

The School District's fiduciary funds include the following:

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

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

Additionally, the School District reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

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

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Encumbrances

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

E. Use of Estimates

The preparation of 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.

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

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

2. Receivables and payables

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

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

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Due from Other Governments

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

4. Inventories and Prepaid Items

Inventories

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

Prepaid Items

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following schedule details the capitalization thresholds:

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

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

7. *Deferred outflows/inflows of resources*

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

See Note 15 for further details.

8. *Compensated Absences*

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

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

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

11. 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 zero as of the measurement date of June 30, 2017. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

12. Fund Balances

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

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

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

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

A. Deposits

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

B. Cash and Cash Equivalents

The carrying amount of the School District's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$24,899,681 and \$4,735,410, respectively.

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

C. Cash with Fiscal Agents

The carrying amount of School District's cash with fiscal agents held by financial institutions was \$1,820,143.

NOTE 3. INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS

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

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Activities		
General fund	Other governmental funds	\$ 100,097
Other governmental funds	General Fund	34,379
Total		\$ 134,476

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

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 3. INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS (continued)

B. Inter-fund Transfers

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Governmental Activities		
Construction and improvements fund	General Fund	\$ 4,183,180
Other governmental funds	General Fund	<u>1,778,936</u>
Total		<u>\$ 5,962,116</u>

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

NOTE 4. RESTRICTED ASSETS

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

In addition, the restricted assets represent the cash with fiscal agents balance, totaling \$1,820,143, of the QSCB Bond Retirement Fund.

Also, the restricted assets represent the cash balances, totaling \$1,001,685, \$1,615,184, \$156,896, and \$198,223 of the debt service funds, grant activities, and unemployment funds, forestry escrow whose resources, respectively, are restricted only for those respective purposes.

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 5. CAPITAL ASSETS

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

	Primary Government			
	Beginning Balance	Increases	Decreases	Adjustments /Transfers
Governmental activities:				
Non-depreciable capital assets:				
Land	\$ 343,261	-	-	-
Construction in progress	-	3,580,447	-	38,027
Total non-depreciable capital assets	343,261	3,580,447	-	38,027
Depreciable capital assets:				
Buildings	110,337,849	2,400,028	-	14,356
Buildings improvements	5,322,008	436,698	-	-
Improvements other than buildings	4,297,385	5,400	-	-
Mobile equipment	9,534,789	354,300	(8,231)	-
Furniture and equipment	3,261,683	279,942	(279,809)	-
Leased property under capital lease	344,800	-	-	-
Total depreciable capital assets	133,098,514	3,476,368	(288,040)	14,356
Total governmental activities capital assets	133,441,775	7,056,815	(288,040)	52,383
Less accumulated depreciation for:				
Buildings	29,704,133	2,152,147	-	747
Buildings improvements	2,123,241	259,799	-	-
Improvements other than buildings	2,523,607	129,284	-	-
Mobile equipment	7,173,907	353,548	(7,409)	-
Furniture and equipment	2,614,446	239,722	(273,324)	-
Leased property under capital leases	113,782	113,784	-	-
Total accumulated depreciation	44,253,116	3,248,284	(280,733)	747
Total depreciable capital assets, net	88,845,398	228,084	(7,307)	13,609
Governmental activities capital assets, net	\$ 89,188,659	3,808,531	(7,307)	51,636

Depreciation expense was charged to the following governmental functions:

Governmental activities:	Amount
Instruction	\$ 2,538,960
Support services	630,473
Non-instructional	78,851
Total depreciation expense	\$ 3,248,284

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

Governmental activities:	Spent to June 30, 2018	Remaining Commitment
East Central High Sports Turf	\$ 1,207,891	196,666
St. Martin High Sports Turf	1,203,702	196,666
Vancleave High Sports Turf	1,197,391	196,666
St. Martin High Field House	6,643	374,357
Vancleave Upper Elementary Cafeteria	2,847	3,166,753
Total construction-in-progress	\$ 3,618,474	4,131,108

Construction projects included in governmental activities were funded by the Construction and improvements fund.

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 6. LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
A. Three Mill Notes Payable	\$ 6,650,000	-	(1,075,000)	5,575,000	785,000
B. Qualified School Construction Bond	3,000,000	-	-	3,000,000	-
C. Energy Efficiency Lease	907,057	-	(187,869)	719,188	195,438
D. Shortfall notes payable	-	1,805,861	-	1,805,861	587,865
E. Obligation under capital leases	317,714	-	(83,002)	234,712	85,689
F. Compensated absences	<u>800,525</u>	<u>-</u>	<u>(13,176)</u>	<u>787,349</u>	<u>393,675</u>
Total governmental activities long-term liabilities	\$ <u>11,675,296</u>	<u>1,805,861</u>	<u>(1,359,047)</u>	<u>12,122,110</u>	<u>2,047,667</u>

A. Three Mill Notes Payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three Mill Ten Year Note, Series 2012	2.21 %	10/25/2012	10/1/2023	\$ <u>8,800,000</u>	<u>5,575,000</u>
Total				\$ <u>8,800,000</u>	<u>5,575,000</u>

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

Three Mill Note Payable Issue Date 2012:			
Amounts due fiscal year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2019	\$ 785,000	123,208	908,208
2020	800,000	105,859	905,859
2021	825,000	88,179	913,179
2022	850,000	69,947	919,947
2023	1,150,000	51,162	1,201,162
2024	<u>1,165,000</u>	<u>25,747</u>	<u>1,190,747</u>
Total	\$ <u>5,575,000</u>	<u>464,102</u>	<u>6,039,102</u>

This debt will be retired from the Debt Service Fund.

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 6. LONG-TERM LIABILITIES (continued)

B. Qualified School Construction Bonds Payable

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

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

C. Obligations Under Energy Efficiency Leases

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Energy Efficiency Lease	3.99 %	11/15/2006	11/15/2021	\$ <u>2,490,000</u>	<u>719,188</u>
Total				\$ <u><u>2,490,000</u></u>	<u><u>719,188</u></u>

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

<u>Obligations Under Energy Efficiency Lease:</u>			
Amounts due fiscal year ending June 30,	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 195,438	26,552	221,990
2020	203,314	18,890	222,204
2021	211,507	10,696	222,203
2022	<u>108,929</u>	<u>2,173</u>	<u>111,102</u>
Total	\$ <u><u>719,188</u></u>	<u><u>58,311</u></u>	<u><u>777,499</u></u>

This debt will be retired from the Debt Service Fund.

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

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

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

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

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 6. LONG-TERM LIABILITIES (continued)

D. Shortfall Notes Payable

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Shortfall - 2017	2.38% - 2.62%	9/21/2017	9/21/2020	\$ 1,805,861	1,805,861
Total				<u>\$ 1,805,861</u>	<u>1,805,861</u>

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

Shortfall Notes Payable Issue of 2017:			
Amounts due fiscal year ending June 30,	Governmental Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 587,865	42,979	630,844
2020	601,500	30,450	631,950
2021	616,496	16,196	632,692
Total	<u>\$ 1,805,861</u>	<u>89,625</u>	<u>1,895,486</u>

This debt will be retired from the Debt Service Fund.

E. Obligations Under Capital Leases

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Obligations under capital leases	3.19 %	2/24/2017	2/24/2021	\$ 344,800	234,712
Total				<u>\$ 344,800</u>	<u>234,712</u>

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

Obligations Under Capital Leases:			
Amounts due fiscal year ending June 30,	Governmental Activities		
	<u>Principal</u>	<u>Interest and Maintenance Charges</u>	<u>Total</u>
2019	\$ 85,689	6,241	91,930
2020	88,463	3,468	91,931
2021	60,560	787	61,347
Total	<u>\$ 234,712</u>	<u>10,496</u>	<u>245,208</u>

This debt will be retired from the General Fund.

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 6. LONG-TERM LIABILITIES (continued)

F. Compensated Absences Payable

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

NOTE 7. DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

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

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 7. DEFINED BENEFIT PENSION PLAN (continued)

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the School District is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2018 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The School District's contributions to PERS for the fiscal years ended June 30, 2018, 2017, and 2016 were \$7,194,503, \$6,519,966 and \$6,933,736, respectively, which equaled the required contributions for each year.

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

At June 30, 2018, the School District reported a liability of \$107,220,891 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The School District's proportionate share used to calculate the June 30, 2018 net pension liability was 0.645 percent, which was based on a measurement date of June 30, 2017. This was a decrease of 0.043 percent from its proportionate share used to calculate the June 30, 2017 net pension liability, which was based on a measurement date of June 30, 2016.

For the year ended June 30, 2018, the School District recognized pension expense of \$11,868,944. At June 30, 2018 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 1,540,423	782,360
Net difference between projected and actual earnings on pension plan investments	-	1,376,624
Changes of assumptions	993,905	4,706,734
Changes in proportion and differences between School District contributions and proportionate share of contributions	2,383,112	182,707
School District contributions subsequent to the measurement date	7,194,503	-
Total	\$ 12,111,943	7,048,425

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 7. DEFINED BENEFIT PENSION PLAN (continued)

\$7,194,503 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	Amount
2019	\$ 604,151
2020	147,062
2021	(811,082)
2022	(2,071,116)
Total	\$ (2,130,985)

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

Inflation	3.00%
Salary increases	3.25-18.50%, 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, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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

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 estate	10.00	3.50
Private equity	8.00	5.10
Emerging debt	2.00	2.25
Cash	1.00	-
Total	100.00 %	

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 7. DEFINED BENEFIT PENSION PLAN (continued)

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 140,627,357	107,220,891	79,486,265

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. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan

Plan description

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

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 8. 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. Contributions to the OPEB plan from the District were \$282,786 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$6,633,265 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2017, the District's proportion was 0.84542299 percent. This was an increase of 0.01313716 percent from the proportionate share as of the measurement date of June 30, 2016.

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

For the year ended June 30, 2018, the District recognized OPEB expense of \$345,253. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	-
Changes of assumption	-	337,763
Net difference between projected and actual earnings on OPEB plan investments	-	-
Changes in proportion and differences between District contributions and proportionate share of contributions	91,254	-
District contributions subsequent to the measurement date	<u>282,786</u>	<u>-</u>
Total	<u><u>\$ 374,040</u></u>	<u><u>337,763</u></u>

\$282,786 reported as deferred outflows of resources related to OPEB resulting from district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ending June 30, 2019. Other 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 June 30,	Amount
2019	\$ (43,247)
2020	(43,247)
2021	(43,247)
2022	(43,247)
2023	(43,247)
Thereafter	<u>(30,274)</u>
Total	<u><u>\$ (246,509)</u></u>

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial assumptions

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

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

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

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

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation. The plan had no assets as of the measurement date of 2017.

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Discount rate

The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.56%. Since the Prior Measurement Date, the Discount Rate has changed from 3.01% to 3.56%. Since no trust was set up as of June 30, 2017, there was no projection of cash flows for the Plan and the Plan was projected to be depleted in 2017. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used, if necessary, for this purpose is the average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by the Bond Buyer.

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

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

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
Net OPEB Liability	\$ 6,808,445	6,633,265	6,502,808

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates

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

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB Liability	\$ 6,126,265	6,633,265	7,212,058

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

OPEB plan fiduciary net position

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

NOTE 9. SIXTEENTH SECTION LANDS

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

Year ending June 30,	Amount
2019	\$ 344,369
2020	325,378
2021	322,101
2022	322,101
2023	322,101
2024 - 2028	1,609,702
2029 - 2033	1,527,815
Thereafter	<u>2,204,952</u>
Total	<u>\$ 6,978,519</u>

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 10. PRIOR PERIOD ADJUSTMENTS

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

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
To correct the understatement of grant activities	\$ (246,288)
Retrospective implementation of GASB 75	(6,534,521)
To correct the understatement of capital assets	51,636
To correct the overstatement of accounts receivable	338,161
Total	\$ <u>(6,391,012)</u>

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

<u>Fund</u>	<u>Explanation</u>	<u>Amount</u>
General Fund	To correct the understatement of grant activities and overstatement of accounts receivable	\$ 236,825
Other Governmental Funds	To correct the understatement of grant activities and overstatement of accounts receivable	(144,952)
Total		\$ <u>91,873</u>

NOTE 11. CONTINGENCIES

A. Federal Grants

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

B. Litigation

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

NOTE 12. RISK MANAGEMENT

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

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 12. RISK MANAGEMENT (continued)

Participation in Public Entity Risk Pool

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

NOTE 13. QUALIFIED SCHOOL CONSTRUCTION BONDS

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

The School District makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2018 was \$1,820,143. The amount accumulated in the sinking fund at the end of the seventeen-year period is expected to be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the School District.

<u>Year ending June 30,</u>	<u>Amount</u>
2019	\$ 397,000
2020	397,000
2021	397,000
Total	\$ 1,191,000

NOTE 14. INSURANCE LOSS RECOVERIES

The Jackson County School District received \$10,741 in insurance loss recoveries related to bus damage during the 2017-2018 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as non-instructional charges for services.

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2018

NOTE 15. EFFECT OF DEFERRED AMOUNTS ON NET POSITION

The unrestricted net position amount of \$(89,961,276) 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 \$7,194,503 resulting from the school district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The \$4,917,440 balance of deferred outflow of resources, at June 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 \$(89,961,276) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$7,048,425 balance of deferred inflow of resources, at June 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 \$(89,961,276) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflows of resources related to OPEB in the amount of \$282,786 resulting from the amount paid by the school district as benefits come due subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. The \$91,254 balance of deferred outflow of resources, at June 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 \$(89,961,276) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$337,763 balance of deferred inflow of resources at June 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 are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Jackson County School District evaluated the activity of the School District through March 20, 2019, (the date the financial statements were available to be issued), and determined no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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JACKSON COUNTY SCHOOL DISTRICT

Required Supplementary Information (Unaudited)

BUDGETARY COMPARISON SCHEDULE-GENERAL FUND

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES					
Local sources	\$ 29,383,382	36,136,467	36,163,625	6,753,085	27,158
State sources	40,186,931	40,160,988	40,160,988	(25,943)	-
Federal sources	261,757	260,764	260,764	(993)	-
Sixteenth section sources	398,269	369,016	369,016	(29,253)	-
Total Revenues	<u>70,230,339</u>	<u>76,927,235</u>	<u>76,954,393</u>	<u>6,696,896</u>	<u>27,158</u>
EXPENDITURES					
Instruction	45,155,644	41,680,365	41,602,178	3,475,279	78,187
Support services	27,942,115	26,877,017	26,701,300	1,065,098	175,717
Noninstructional services	93,532	23,612	23,612	69,920	-
Sixteenth section	21,123	6,854	6,854	14,269	-
Capital outlay	75,300	62,226	677,541	13,074	(615,315)
Debt service:					
Principal	91,931	83,002	83,002	8,929	-
Interest	8,929	8,929	8,929	-	-
Other	-	72	72	(72)	-
Total Expenditures	<u>73,388,574</u>	<u>68,742,077</u>	<u>69,103,488</u>	<u>4,646,497</u>	<u>(361,411)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(3,158,235)</u>	<u>8,185,158</u>	<u>7,850,905</u>	<u>11,343,393</u>	<u>(334,253)</u>
OTHER FINANCING SOURCES (USES)					
Insurance recovery	-	10,741	10,741	10,741	-
Payment of judgment	-	(199,484)	(250,509)	(199,484)	(51,025)
Operating transfers in (out)	(1,344,725)	(5,051,041)	(5,962,116)	(3,706,316)	(911,075)
Total Other Financing Sources (Uses)	<u>(1,344,725)</u>	<u>(5,239,784)</u>	<u>(6,201,884)</u>	<u>(3,895,059)</u>	<u>(962,100)</u>
Net Change in Fund Balances	<u>(4,502,960)</u>	<u>2,945,374</u>	<u>1,649,021</u>	<u>7,448,334</u>	<u>(1,296,353)</u>
Fund Balance - Beginning, as originally reported	17,378,037	17,378,037	17,378,037	-	-
Prior period adjustment	-	-	236,825	-	236,825
Fund Balance - Beginning, as restated	<u>17,378,037</u>	<u>17,378,037</u>	<u>17,614,862</u>	<u>-</u>	<u>236,825</u>
Fund Balance - Ending	<u>\$ 12,875,077</u>	<u>20,323,411</u>	<u>19,263,883</u>	<u>7,448,334</u>	<u>(1,059,528)</u>

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

JACKSON COUNTY SCHOOL DISTRICT

Required Supplementary Information (Unaudited)

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

Public Employees Retirement System of Mississippi (PERS)

Last 10 Fiscal Years (Only 4 Years Shown)**

	2018	2017	2016	2015
School District's proportion of the net pension liability (asset)	0.645 %	0.688 %	0.675 %	0.670 %
School District's proportionate share (amount) of the net pension liability	\$ 107,220,891	122,893,979	104,341,689	81,325,731
School District's covered payroll	\$ 41,396,615	44,023,721	42,171,695	40,669,987
School District's proportionate share (amount) of the collective net pension liability as a percentage of its covered payroll	259.01 %	279.15 %	247.42 %	199.96 %
Plan fiduciary net position as a percentage of the total pension liability	61.49 %	57.47 %	61.70 %	67.21 %

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

**This schedule is presented to illustrate the requirements to show information for 10 years. However, GASB Statement No. 68 was implemented in fiscal year ended June 30, 2015, and, until a full 10-year trend is compiled, information is presented for those years for which information is available.

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

JACKSON COUNTY SCHOOL DISTRICT

Required Supplementary Information (Unaudited)

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS-(PERS)

Public Employees Retirement System of Mississippi (PERS)

Last 10 Fiscal Years (Only 4 Years Shown)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 7,194,503	6,519,966	6,933,736	6,642,042
Contributions in relation to the contractually required contribution	<u>(7,194,503)</u>	<u>(6,519,966)</u>	<u>(6,933,736)</u>	<u>(6,642,042)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
School District's covered payroll	\$ 45,679,384	41,396,615	44,023,721	42,171,695
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, GASB Statement No. 68 was implemented in fiscal year ended June 30, 2015, and, until a full 10-year trend is compiled, information is presented for those years for which information is available.

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

JACKSON COUNTY SCHOOL DISTRICT

Required Supplementary Information (Unaudited)

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

Other Postemployment Benefits (OPEB)

Last 10 Fiscal Years (Only 1 Years Shown)**

	<u>2018</u>
District's proportion of the net OPEB liability	0.84542299 %
District's proportionate share of the net OPEB liability	\$ 6,633,265
District's covered-employee payroll	\$ 41,396,615
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	16.02 %
Plan fiduciary net position as a percentage of the total OPEB liability	0.00 %

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

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

**This schedule is presented to illustrate the requirements to show information for 10 years. However, GASB Statement No. 75 was implemented in FYE June 30, 2018, until a full 10-year trend is compiled, information is presented for those years for which information is available.

JACKSON COUNTY SCHOOL DISTRICT

Required Supplementary Information (Unaudited)

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS-(OPEB)

Other Postemployment Benefits (OPEB)

Last 10 Fiscal Years (Only 1 Years Shown)**

	2018
Contractually required contribution	\$ 282,786
Contributions in relation to the contractually required contribution	(282,786)
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 41,396,615
Contributions as a percentage of covered-employee payroll	0.68 %

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

**This schedule is presented to illustrate the requirements to show information for 10 years. However, GASB Statement No. 75 was implemented in FYE June 30, 2018, until a full 10-year trend is compiled, information is presented for those years for which information is available.

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

NOTE 1. BUDGETARY COMPARISON SCHEDULE

A. Basis of Presentation

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

B. Budget Amendments and Revisions

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

NOTE 2. PENSION SCHEDULES

A. Changes of Assumptions

2015:

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

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

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

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

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

2016:

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

2017:

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

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

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

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

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

NOTE 2. PENSION SCHEDULES (Continued)

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

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.

B. Changes in Benefit Provisions

2017:

None.

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

NOTE 3. OPEB SCHEDULES (continued)

C. Method and assumptions used in calculations of actuarially determined contributions

The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from 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

SUPPLEMENTARY INFORMATION

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JACKSON COUNTY SCHOOL DISTRICT

Supplementary Information

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Numbers	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
<i>Passed through Mississippi Department of Education</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	185MS326N109	\$ 795,300
National School Lunch Program	10.555	185MS326N109	2,645,857
Total Child Nutrition Cluster			<u>3,441,157</u>
<i>Total Passed through Mississippi Department of Education</i>			<u>3,441,157</u>
Total U.S. Department of Agriculture			<u>3,441,157</u>
<u>U.S. Department of Defense</u>			
<i>Direct Program:</i>			
ROTC Language and Culture Training Grants	12.357	N/A	66,186
Total U.S. Department of Defense			<u>66,186</u>
<u>Federal Communications Commission</u>			
<i>Administered through the Universal Service Administrative Company:</i>			
Communications Information and Assistance and Investigation of Complaints	32.001	N/A	68,108
Total Federal Communications Commission			<u>68,108</u>
<u>U.S. Department of Education</u>			
<i>Passed-through Mississippi Department of Education</i>			
Special Education Cluster (IDEA)			
Special Education-Grants to States	84.027	H027A170108	1,781,625
Special Education-Preschool Grants	84.173	H173A170113	65,756
Total Special Education Cluster (IDEA)			<u>1,847,381</u>
Title I Grants to Local Educational Agencies	84.010	ES010A170024	1,123,943
Small, Rural School Achievement Program	84.358	ES424A170025	8,197
Improving Teacher Quality State Grants	84.367	ES367A170023	129,011
Career and Technical Education-Basic Grants to States	84.048	VO048A170024	56,549
<i>Total Passed through Mississippi Department of Education</i>			<u>3,165,081</u>
<i>Passed-through Mississippi Department of Rehabilitation Services</i>			
Rehabilitation Services-Vocational Rehabilitation Grants to States	84.126	H126A180034	44,751
<i>Total Passed through Mississippi Department of Rehabilitation Services</i>			<u>44,751</u>
Total U.S. Department of Education			<u>3,209,832</u>
<u>U.S. Department of Health and Human Services</u>			
<i>Passed-through Mississippi Department of Education</i>			
Medical Assistance Program	93.778	1805MS5ADM	102,683
<i>Total Passed through Mississippi Department of Education</i>			<u>102,683</u>
Total U.S. Department of Health and Human Services			<u>102,683</u>
Total Expenditures of Federal Awards			<u>\$ 6,887,966</u>

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

JACKSON COUNTY SCHOOL DISTRICT

Supplementary Information

SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE AND OTHER EXPENDITURES - GOVERNMENTAL FUNDS

For the Year Ended June 30, 2018

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 62,538,121	49,463,673	1,942,728	4,393,561	6,738,159
Other	25,206,102	6,092,871	391,611	85,132	18,636,488
Total	\$ 87,744,223	55,556,544	2,334,339	4,478,693	25,374,647
Total number of students*	9,289				
Cost per student	\$ 9,446	5,981	251	482	2,732

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

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

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

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

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

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

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

JACKSON COUNTY SCHOOL DISTRICT
NOTES TO THE SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

NOTE 1. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

A. Basis of Presentation

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

B. Summary of Significant Accounting Policies

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

C. Indirect Cost Rate

The School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. The School District has elected to use the Fixed with Carry-Forward Method which is approved by the Mississippi Department of Education (the Department) for grants and passed through to the Department.

D. Donated Commodities

Donated commodities of \$337,135 are included in the National School Lunch Program.

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OTHER INFORMATION

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JACKSON COUNTY SCHOOL DISTRICT

Other Information

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

Last Four Years

UNAUDITED

	<u>2018</u>	<u>2017*</u>	<u>2016*</u>	<u>2015*</u>
REVENUES				
Local sources	\$ 36,163,625	35,073,936	29,297,568	26,888,103
State sources	40,160,988	39,564,396	39,306,916	37,907,027
Federal sources	260,764	1,130,293	326,820	232,315
Sixteenth section	<u>369,016</u>	<u>382,220</u>	<u>591,112</u>	<u>475,834</u>
Total Revenues	<u>76,954,393</u>	<u>76,150,845</u>	<u>69,522,416</u>	<u>65,503,279</u>
EXPENDITURES				
Instruction	41,738,086	41,332,666	41,154,146	39,134,584
Support services	27,242,933	27,076,327	25,399,928	24,220,037
Noninstructional services	23,612	17,375	62,120	77,998
Sixteenth section	6,854	13,423	19,153	7,979
Debt service				
Principal	83,002	27,085	-	-
Interest	8,929	3,559	-	-
Other	72	-	-	-
Facilities acquisition and construction	<u>-</u>	<u>60,690</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>69,103,488</u>	<u>68,531,125</u>	<u>66,635,347</u>	<u>63,440,598</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>7,850,905</u>	<u>7,619,720</u>	<u>2,887,069</u>	<u>2,062,681</u>
OTHER FINANCING SOURCES (USES)				
Capital leases issued	-	344,800	-	-
Insurance recovery	10,741	21,978	-	8,148
Payment of judgment	(250,509)	-	-	-
Operating transfers in (out)	(5,962,116)	(1,304,536)	(1,478,183)	(1,438,108)
Other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,313,014</u>	<u>14,269</u>
Total Other Financing Sources (Uses)	<u>(6,201,884)</u>	<u>(937,758)</u>	<u>(165,169)</u>	<u>(1,415,691)</u>
Net Change in Fund Balances	<u>1,649,021</u>	<u>6,681,962</u>	<u>2,721,900</u>	<u>646,990</u>
Fund Balance - Beginning, as originally reported	17,378,037	10,512,986	7,791,086	7,101,240
Prior period adjustment	<u>236,825</u>	<u>183,089</u>	<u>-</u>	<u>42,856</u>
Fund Balance - Beginning, as restated	<u>17,614,862</u>	<u>10,696,075</u>	<u>7,791,086</u>	<u>7,144,096</u>
Fund Balance - Ending	<u>\$ 19,263,883</u>	<u>17,378,037</u>	<u>10,512,986</u>	<u>7,791,086</u>

*Source - Prior Year Audit Reports

JACKSON COUNTY SCHOOL DISTRICT

Other Information

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

Last Four Years

UNAUDITED

	2018	2017*	2016*	2015*
REVENUES				
Local sources	\$ 38,922,037	37,358,559	32,738,379	30,177,762
State sources	41,927,124	40,465,476	40,397,669	38,925,238
Federal sources	6,888,273	7,792,938	7,345,980	7,380,822
Sixteenth section	<u>375,438</u>	<u>455,271</u>	<u>633,376</u>	<u>499,626</u>
Total Revenues	<u>88,112,872</u>	<u>86,072,244</u>	<u>81,115,404</u>	<u>76,983,448</u>
EXPENDITURES				
Instruction	46,358,275	45,168,634	44,572,283	42,436,887
Support services	29,979,513	30,418,024	28,215,589	26,974,575
Noninstructional services	3,869,767	3,911,123	3,734,267	3,720,286
Sixteenth section	12,030	22,398	43,635	25,516
Debt service				
Principal	1,353,003	957,675	2,563,595	1,841,870
Interest	186,452	202,083	250,501	311,616
Other	4,708	3,200	5,154	1,800
Facilities acquisition and construction	<u>5,980,475</u>	<u>60,690</u>	<u>-</u>	<u>449,475</u>
Total Expenditures	<u>87,744,223</u>	<u>80,743,827</u>	<u>79,385,024</u>	<u>75,762,025</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>368,649</u>	<u>5,328,417</u>	<u>1,730,380</u>	<u>1,221,423</u>
OTHER FINANCING SOURCES (USES)				
Bonds and notes issued	-	300,000	-	445,000
Capital leases issued	-	344,800	-	-
Insurance recovery	10,741	21,978	-	8,148
Payment of judgment	(250,509)	-	-	-
Other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,311,707</u>	<u>14,125</u>
Total Other Financing Sources (Uses)	<u>(239,768)</u>	<u>666,778</u>	<u>1,311,707</u>	<u>467,273</u>
Net Change in Fund Balances	<u>128,881</u>	<u>5,995,195</u>	<u>3,042,087</u>	<u>1,688,696</u>
Fund Balance - Beginning, as originally reported	24,993,532	18,640,414	15,615,073	13,954,113
Prior period adjustment	<u>91,873</u>	<u>305,721</u>	<u>-</u>	<u>-</u>
Fund Balance - Beginning, as restated	<u>25,085,405</u>	<u>18,946,135</u>	<u>15,615,073</u>	<u>13,954,113</u>
Increase (Decrease) in reserve for inventory	<u>(44,617)</u>	<u>52,202</u>	<u>(16,746)</u>	<u>(27,736)</u>
Fund Balance - Ending	<u>\$ 25,169,669</u>	<u>24,993,532</u>	<u>18,640,414</u>	<u>15,615,073</u>

*Source - Prior Year Audit Reports

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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

To the School Board of Education
Jackson County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson County School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Jackson County School District's basic financial statements and have issued our report thereon dated March 20, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Membership in:

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AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center



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

Purpose of this Report

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

Wolfe, McDuff & Oppie

Wolfe, McDuff & Oppie, P.A.
Pascagoula, Mississippi
March 20, 2019



Wolfe • McDuff & Oppie

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

To the School Board of Education
Jackson County School District

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

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

As described in the accompanying schedule of findings and questioned costs, the Jackson County School District did not comply with requirements regarding CFDA No. 84.010-Title I Grants to Local Educational Agencies as described in finding number 2018-001 for Cash Management. Compliance with such requirements is necessary, in our opinion, for the Jackson County School District to comply with the requirements applicable to that program.

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

Page 2

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

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Jackson County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA No. 84.010-Title I Grants to Local Educational Agencies for the year ended June 30, 2018.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Jackson County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2018.

Other Matters

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

Report on Internal Control over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2018-001 to be a significant deficiency.

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

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

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

Wolfe, McDuff & Oppie

Wolfe, McDuff & Oppie, P.A.
Pascagoula, Mississippi
March 20, 2019

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

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

Superintendent and School Board
Jackson County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson County School District as of and for the year ended June 30, 2018, which collectively comprise Jackson County School District's basic financial statements and have issued our report thereon dated March 20, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendations and Jackson County School District's responses are as follows:

Finding 1: Section 25-11-127, Mississippi Code of 1972 addresses the reemployment of PERS retirees by an entity covered under the PERS System. If the retiree is to be reemployed as an employee, the PERS Form 4B "Certification/Acknowledgement of Reemployment of Retiree" must be completed and submitted to PERS within 5 days of employment. The amount of compensation received by the retiree is limited based on their election on the PERS Form 4B. The school district employed the services of a PERS retiree as an employee and that individual was overpaid \$1,216 over the maximum compensation allowable on their PERS Form 4B.

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Report on Compliance with State Laws and Regulations

Page 2

Recommendation: It is recommended that the district implement policies and procedures to ensure that PERS retirees are not paid more than is allowed by state law.

Response: Currently, the district has the following procedures in place with regard to complying with Form 4B...

1. Any retiree returning to work for the Jackson County School District is brought in to sign new hire paperwork with Human Resources including completing and signing PERS Form 4B.
2. A copy of Form 4B is kept in the Human Resources Department and a copy is given to the retiree being rehired.
3. The retiree is responsible for making sure they do not exceed the amount they signed and authorized on Form 4B.

Going forward, the District will implement the following procedures to comply with Form 4B...

1. Any retiree returning to work for the District will be brought in to sign new hire paperwork with Human Resources including completing and signing PERS Form 4B.
2. A copy of Form 4B will be kept in Human Resources, a copy will be given to the retiree being hired, a copy will be given to the retiree's hiring supervisor, and a copy will be given to Payroll in the Business Office.
3. Payroll will verify that any recommendation for a retiree rehire does not exceed the hours, days, and/or amounts on the Form 4B signed by the employee.
4. The hiring supervisor will monitor the retiree rehire's time along with the retiree to ensure that the retiree does not exceed the limits shown on Form 4B.
5. Payroll will remind the hiring supervisor during the fiscal year if the employee crosses 75% of the limit shown on Form 4B based on the most recent payroll period that has been verified.
6. The hiring supervisor will instruct the retiree to stop working before they cross the Form 4B limit.
7. Training and education will be provided by Human Resources Director and Business Manager to all hiring supervisors and any other district employee involved in managing employee time on the importance of following retiree Form 4B limits. Training and education will be done via principals meetings, directors meetings, assistant superintendent meetings, and via periodic emails.

Finding 2: During test work, it was noted that the District accepted a bid and entered a contract for a construction project that exceeded \$25,000 without obtaining proof of performance and payment bonds. Section 31-5-51(b) Miss. Code Ann. (1972) requires all state agencies to obtain proof of a performance bond payable to the state agency, a payment bond payable to the state agency, or a cash bond deposited with the State Treasurer in lieu of bonds before entering into such contract.

Recommendation: The District should implement procedures to insure that Section 31-5-51(b) Miss. Code Ann. (1972) is followed for all future construction projects.

Response: Currently, the District has the following procedures in place with regard to securing performance bonds for construction projects exceeding \$25,000...

1. For any maintenance, transportation, and school activity purchase, the requisition is done on paper, it is approved by the Attendance Center Assistant Superintendent, and a purchase order is issued. The attendance centers are responsible for following all purchasing laws. The business manager is not involved in this process.
2. For any child nutrition purchases, the requisition is done via a purchasing software, it is approved by the Child Nutrition Director, and a purchase order is issued. The child nutrition departments is responsible for following all purchasing laws. The business manager is not involved in this process.
3. For all other school/district purchases, the requisition is entered in the district financial software, it is approved by the Business Manager, and a purchase order is issued. The business office is responsible for following all purchasing laws.

Report on Compliance with State Laws and Regulations

Page 3

Going forward, the district will implement the following procedures to ensure performance bonds are secured for construction projects exceeding \$25,000...

1. For any maintenance, transportation, and school activity purchase less than \$25,000, the requisition is done on paper, it is approved by the Attendance Center Assistant Superintendent, and a PO is issued. The attendance centers are responsible for following all purchasing laws. The business office is not involved in this process.
2. For any child nutrition purchase less than \$25,000, the requisition is entered in the district financial software, it is approved by the Child Nutrition Director, and a PO is issued. The child nutrition departments is responsible for following all purchasing laws. The business office is not involved in this process.
3. For all other school/district purchases, including any purchase requisition greater than \$25,000, the requisition is entered in the district financial software, it is approved by the Business Manager, and a PO is issued. The business office is responsible for following all purchasing laws including securing performance bonds when necessary.
4. Training and education will be provided by the Business Manager to all Purchasing Agents (Assistant Superintendents), Directors, Business Office Purchasing/AP staff, and any other district employee involved in the purchasing process on the requirements of performance bonds. Training and education will be done via principals meetings, directors meetings, assistant superintendent meetings, summer business office secretary/bookkeeper training, and via periodic emails. In addition, anytime a requisition is lacking a performance bond, the business manager will deny the requisition and send back to the purchaser with a note explaining a performance bond is needed anytime a construction project exceeds \$25,000.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the findings in this report to insure that corrective action has been taken.

The Jackson County School District's responses to the findings included in this report were not audited and, accordingly, we express no opinion on them.

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

Wolfe, McDuff & Oppen

Pascagoula, Mississippi
March 20, 2019

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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JACKSON COUNTY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2018

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | |
|---|------------------------|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified? | Yes |
| 5. Type of auditor's report issued on compliance for major programs: | |
| <u>CFDA No. and Name of Federal Program or Cluster</u> | <u>Type of Opinion</u> |
| CFDA No. 84.010-Title I Grants to Local Educational Agencies | Qualified |
| Child Nutrition Cluster: | |
| School Breakfast Program for Children | Unmodified |
| National School Lunch Program | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes |
| 7. Identification of major programs: | |

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Title I Grants to Local Educational Agencies	84.010
School Breakfast Program for Children	10.553
National School Lunch Program	10.555

- | | |
|---|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. Auditee qualified as low-risk auditee? | No |
| 10. Prior fiscal year audit findings(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). | Yes |

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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

JACKSON COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

Repeat Finding 2018-001 Significant Deficiency:

Information on the Federal Program:

CFDA No.: 84.010

Program Title: Title I Grants to Local Educational Agencies

Federal Agency: U.S. Department of Education

Federal Award Identification No.: FY 2017

Federal Award Year: 2017

Pass-through Entity: Mississippi Department of Education

Criteria:

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

Condition:

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

Questioned Costs:

\$134,179. This is the amount of funds reimbursed from the 2017 Title 1 Grant to Local Education Agencies that had previously been reimbursed from the 2017 Title I Grant to Local Education Agencies in fiscal year 2017.

Context:

Consequences of finding resulted in improper cost allocations to the grant. Expenses related to the Title I Grants to Local Educational Agencies for FY 2017 from the prior year were requested for reimbursement in the current year. Due to this, the School District requested reimbursement for these expenditures in fiscal year 2017 and fiscal year 2018. Auditor believes the sample to be valid as related expenditures were tested.

Effect:

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

Cause:

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

Recommendation:

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

Views of Responsible Officials and Planned Corrective Actions:

See auditee's corrective action plan.



Jackson County School District

EAST CENTRAL ST. MARTIN VANCLEAVE

BARRY AMACKER, Ed. D., SUPERINTENDENT

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BUSINESS OFFICE
4701 COLONEL VICKREY ROAD
VANCLEAVE, MISSISSIPPI 39565

AUDITEE'S CORRECTIVE ACTION PLAN

As required by 2 CFR 200.511(a), the Jackson County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2018:

Finding

Corrective Action Plan Details

2018-001

a. Name of Contact Person Responsible for Corrective Action

Name: Ryan Earley, Business Manager
Phone Number: 228-826-4842

Name: Kimberly Williams, Federal Programs Director
Phone Number: 228-826-0120

b. Corrective Action Planned

The district has new leadership in the Business Office and Federal Programs that is working as a team to identify internal control weaknesses within Federal Programs and instituting new procedures, processes, and manuals to ensure the district is complying with all rules and regulations surrounding Federal Programs including the Title program. In addition, the district has identified the need for a Federal Programs Accountant to assist with approving requisitions, keeping up with Federal Programs assets, monitoring grant balances, requesting and/or approving grant journal entries, and preparing and/or approving grant reimbursement requests.

c. Anticipated Completion Date

A new 188 page District Federal Programs manual was created and completed on 3/7/19 which includes new processes and procedures, most of which have been put into place. In addition, the district has hired a Federal Programs Accountant that started 3/1/19. The corrective action described above should be validated when the Federal Programs Monitoring begins in May 2019 and also when the FY19 Fiscal Audit begins this fall.

Sincerely,

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

Ryan Earley
Business Manager
Jackson County School District

Kimberly Williams
Federal Programs Director
Jackson County School District



Jackson County School District

EAST CENTRAL ST. MARTIN VANCLEAVE

BARRY AMACKER, Ed. D., SUPERINTENDENT

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FOLLOW UP ON PRIOR YEAR FINDINGS

Finding

2017-001

Repeat finding at 2018-001 Significant Deficiency.