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Rankin County School District

Audited Financial Statements
For the Year Ended June 30, 2018

Fortenberry & Ballard, PC
Certified Public Accountants

**Rankin County School District
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL
STATEMENTS AND SUPPLEMENTARY INFORMATION

Superintendent and School Board
Rankin 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 Rankin 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 Rankin 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District'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.

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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 Rankin County School District, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the school district adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, net position as of July 1, 2017, has been restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 8 - 19 and 71 - 80, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Rankin County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are

not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2019, on our consideration of the Rankin 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Rankin 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 Rankin County School District's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
January 23, 2019

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Rankin County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

The following discussion and analysis of Rankin 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 \$17,669,148, including a prior period adjustment of (\$14,817,284), which represents a 27% decrease from fiscal year 2017. Total net position for 2017 decreased \$26,047,266, including a prior period adjustment of (\$17,844,348), which represents a 66% decrease from fiscal year 2016.
- General revenues amounted to \$162,332,244 and \$150,316,812, or 85% and 84% 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 \$28,100,019, or 15% of total revenues for 2018, and \$27,966,687, or 16% of total revenues for 2017.
- The District had \$193,284,127 and \$186,486,417 in expenses for fiscal years 2018 and 2017; only \$28,100,019 for 2018 and only \$27,966,687 for 2017 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$162,332,244 for 2018 and \$150,316,812 for 2017 were not adequate to provide for these programs.
- Among the major funds, the General Fund had \$148,642,394 in revenues and \$150,158,060 in expenditures for 2018, and \$146,611,066 in revenues and \$150,814,145 in expenditures for 2017. The General Fund's fund balance increased by \$1,821,478, from 2017 to 2018, and decreased by \$1,946,623, from 2016 to 2017.
- Capital assets, net of accumulated depreciation, increased by \$4,833,233 for 2018 and increased by \$5,375,150 for 2017. The increase for 2018 was due primarily to the additions of construction in progress, buildings, building improvements, mobile equipment and furniture and equipment.
- Long-term debt decreased by \$3,706,884 for 2018 and increased by \$90,797,664 for 2017. This decrease for 2018 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$20,310 for 2018 and increased by \$113,255 for 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Rankin County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the

Rankin County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Position, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

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

Rankin County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$83,003,845 as of June 30, 2018.

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

Rankin County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

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

Table 1
Condensed Statement of Net Position

	June 30, 2018	June 30, 2017	Percentage Change
Current assets	\$ 41,465,035	35,161,775	18%
Restricted assets	124,736,237	130,110,432	(4)%
Capital assets, net	167,189,493	162,356,260	3%
Total assets	333,390,765	327,628,467	2%
Deferred outflows of resources	43,388,182	39,735,790	9%
Current liabilities	2,839,430	1,241,096	129%
Long-term debt outstanding	164,848,823	168,791,231	(2)%
Net OPEB liability	15,138,147		N/A
Net pension liability	246,309,827	261,970,488	(6)%
Total liabilities	429,136,227	432,002,815	(1)%
Deferred inflows of resources	30,646,565	696,139	4,302%
Net position:			
Net investment in capital assets	113,391,820	112,570,620	1%
Restricted	28,693,933	135,861,306	(79)%
Unrestricted	(225,089,598)	(313,766,623)	28%
Total net position (deficit)	\$ (83,003,845)	(65,334,697)	(27)%

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)	\$ (225,089,598)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability, including the related deferred outflows and deferred inflows	<u>249,013,956</u>
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 23,924,358</u>

Rankin County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

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 \$4,833,233.
- The principal retirement of \$12,035,230 of long-term debt.
- The issuance of three mill notes totaling \$4,905,000.
- The inception of leases totaling \$3,423,346.
- Implementation of GASB 75 which resulted in the recognition of a net OPEB liability in the amount of \$15,138,147.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2018 and June 30, 2017 were \$190,432,263 and \$178,283,499, respectively. The total cost of all programs and services was \$193,284,127 for 2018 and \$186,486,417 for 2017.

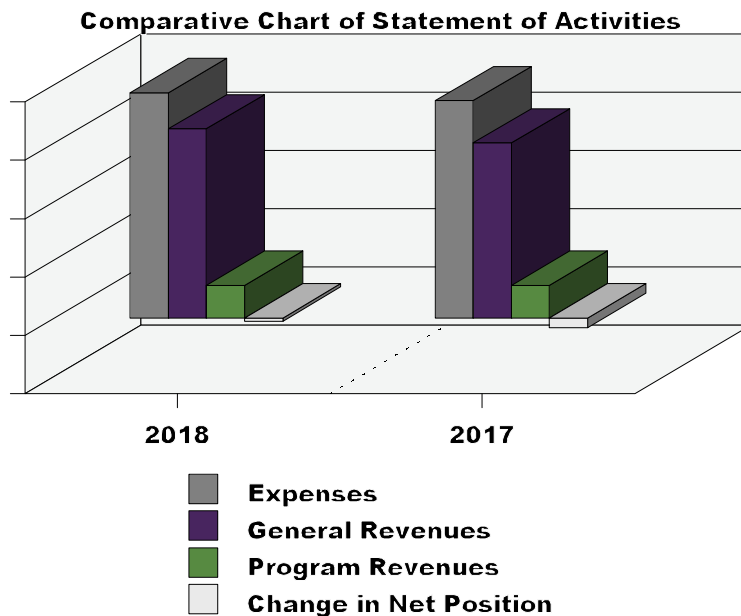
Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2018 and June 30, 2017.

Rankin County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

Table 2
Changes in Net Position

	Year Ended June 30, 2018	Year Ended June 30, 2017	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 9,139,678	9,427,747	(3)%
Operating grants and contributions	18,960,341	18,538,940	2%
General Revenues:			
Property taxes	72,527,554	64,948,855	12%
Grants and contributions not restricted	84,070,591	83,438,953	1%
Unrestricted investment earnings	2,051,111	199,566	928%
Decrease in fair market value	(136,641)	(401,073)	66%
Sixteenth section sources	1,898,900	1,886,232	1%
Other	1,920,729	244,279	686%
Total revenues	<u>190,432,263</u>	<u>178,283,499</u>	7%
Expenses:			
Instruction	96,126,866	94,091,445	2%
Support services	54,543,405	51,661,013	6%
Non-instructional	9,930,751	10,127,056	(2)%
Sixteenth section	281,602	312,119	(10)%
Pension expense	25,780,103	27,121,433	(5)%
OPEB expense	804,781		N/A
Interest on long-term liabilities	5,816,619	3,173,351	83%
Total expenses	<u>193,284,127</u>	<u>186,486,417</u>	4%
Increase (Decrease) in net position	<u>(2,851,864)</u>	<u>(8,202,918)</u>	65%
Net position (Deficit), July 1, as previously reported	(65,334,697)	(39,287,431)	(66)%
Prior period adjustment	<u>(14,817,284)</u>	<u>(17,844,348)</u>	17%
Net position (Deficit), July 1, as restated	<u>(80,151,981)</u>	<u>(57,131,779)</u>	(40)%
Net Position (Deficit), June 30	<u>\$ (83,003,845)</u>	<u>(65,334,697)</u>	(27)%

Rankin County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018



Governmental activities

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

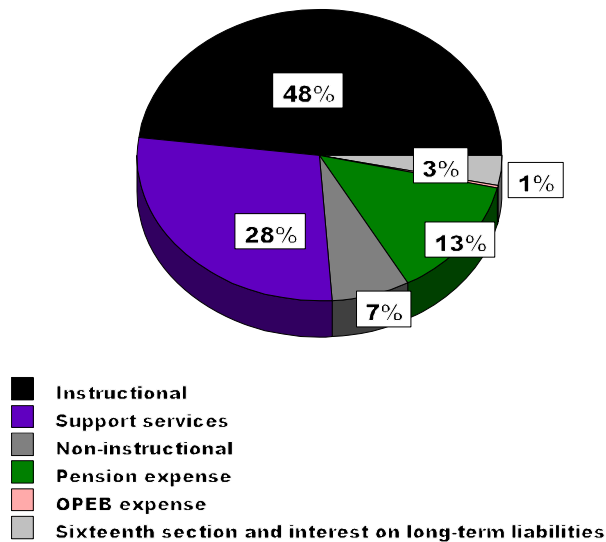
Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		Percentage Change
	2018	2017	
Instruction	\$ 96,126,866	94,091,445	2%
Support services	54,543,405	51,661,013	6%
Non-instructional	9,930,751	10,127,056	(2)%
Sixteenth section	281,602	312,119	(10)%
Pension expense	25,780,103	27,121,433	(5)%
OPEB expense	804,781		N/A
Interest on long-term liabilities	<u>5,816,619</u>	<u>3,173,351</u>	<u>83%</u>
Total expenses	\$ <u>193,284,127</u>	<u>186,486,417</u>	<u>4%</u>

Rankin County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

	Net (Expense) Revenue		
	2018	2017	Percentage Change
Instruction	\$ (82,527,839)	(81,219,999)	(2)%
Support services	(50,553,825)	(47,170,505)	(7)%
Non-instructional	532,853	432,129	23%
Sixteenth section	(233,794)	(266,571)	12%
Pension expense	(25,780,103)	(27,121,433)	5%
OPEB expense	(804,781)		N/A
Interest on long-term liabilities	(5,816,619)	(3,173,351)	(83)%
Total net (expense) revenue	\$ (165,184,108)	(158,519,730)	(4)%

Chart of Expenses per Statement of Activities



- Net cost of governmental activities (\$165,184,108 for 2018 and \$158,519,730 for 2017) was financed by general revenue, which is primarily made up of property taxes (\$72,527,554 for 2018 and \$64,948,855 for 2017) and state and federal revenues (\$84,070,591 for 2018 and \$83,438,953 for 2017). In addition, there was \$1,898,900 and \$1,886,232 in Sixteenth Section sources for 2018 and 2017, respectively.
- Investment earnings amounted to \$2,051,111 for 2018 and \$199,566 for 2017. Decrease in fair market value amounted to \$136,641 for 2018 and \$401,073 for 2017.

Rankin County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$163,813,373, a decrease of \$902,263, which includes a decrease in inventory of \$172,458. \$23,024,133 or 14% 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 or assigned to specific purposes within the general fund. The remaining fund balance of \$140,789,240 or 86% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$1,821,478. The fund balance of Other Governmental Funds showed an increase in the amount of \$9,577,334, which includes a decrease in inventory of \$172,458 and a prior period adjustment of \$2,095,683. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title I Fund	no increase or decrease
EHA (IDEA) Fund	no increase or decrease
2017 Construction Fund	\$ (12,301,075)

BUDGETARY HIGHLIGHTS

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

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

Rankin County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2018, the District's total capital assets were \$256,810,710, including land, construction in progress, school buildings, building improvements, mobile equipment, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$9,626,553 from 2017. Total accumulated depreciation as of June 30, 2018, was \$89,621,217, and total depreciation expense for the year was \$5,452,207, resulting in total net capital assets of \$167,189,493.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
Land	\$ 10,316,388	10,316,388	0%
Construction in progress	8,625,360	7,805,736	11%
Buildings	127,780,880	131,014,960	(2)%
Building improvements	14,599,324	7,013,929	108%
Mobile equipment	4,826,820	5,254,808	(8)%
Furniture and equipment	1,040,721	950,439	9%
Total	<u>\$ 167,189,493</u>	<u>162,356,260</u>	<u>3%</u>

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

Debt Administration. At June 30, 2018, the District had \$148,498,638 in outstanding long-term debt, of which \$10,610,033 is due within one year. The liability for compensated absences increased \$20,310 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 100,750,000	100,750,000	0%
General obligation refunding bonds payable	14,715,000	19,195,000	(23)%
Three mill notes payable	28,635,000	27,500,000	4%
Obligations under leases payable	3,214,190	3,576,074	(10)%
Compensated absences payable	1,184,448	1,164,138	2%
Total	<u>\$ 148,498,638</u>	<u>152,185,212</u>	<u>(2)%</u>

Rankin County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

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

CURRENT ISSUES

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

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

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

Enrollment for the 2017 - 2018 year increased to 19,145 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Rankin County School District, 1220 Apple Park Place, Brandon, MS 39042.

FINANCIAL STATEMENTS

RANKIN COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2018

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 36,964,387
Due from other governments	3,721,665
Accrued interest receivable	381,698
Other receivables, net	136,467
Inventories	260,818
Restricted assets	124,736,237
Capital assets, non-depreciable:	
Land	10,316,388
Construction in progress	8,625,360
Capital assets, net of accumulated depreciation:	
Buildings	127,780,880
Building improvements	14,599,324
Mobile equipment	4,826,820
Furniture and equipment	1,040,721
Total Assets	<u>333,390,765</u>
Deferred Outflows of Resources	
Deferred charges on debt refunding	307,599
Deferred outflows - pensions	42,130,869
Deferred outflows - OPEB	949,714
Total Deferred Outflows of Resources	<u>43,388,182</u>
Liabilities	
Accounts payable and accrued liabilities	2,349,994
Unearned revenue	37,905
Interest payable on long-term liabilities	451,531
Long-term liabilities, due within one year:	
Capital related liabilities	8,485,000
Bond premium, capital related	455,178
Non-capital related liabilities	2,125,033
Net OPEB liability	616,498
Long-term liabilities, due beyond one year:	
Capital related liabilities	135,615,000
Bond premium, capital related	15,895,007
Non-capital related liabilities	2,273,605
Net pension liability	246,309,827
Net OPEB liability	14,521,649
Total Liabilities	<u>429,136,227</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	29,875,736
Deferred inflows - OPEB	770,829
Total Deferred Inflows of Resources	<u>30,646,565</u>
Net Position	
Net Investment in Capital Assets	113,391,820
Restricted For:	
Expendable:	
School-based Activities	4,551,245
Debt service	6,734,613
Unemployment benefits	441,574
Forestry improvements	223,437
Nonexpendable:	
Sixteenth section	16,743,064
Unrestricted	(225,089,598)
Total Net Position (Deficit)	<u>\$ (83,003,845)</u>

The accompanying notes are an integral part of this statement.

RANKIN COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities				Governmental Activities
Instruction	96,126,866	3,972,683	9,626,344	(82,527,839)
Support services	54,543,405	--	3,989,580	(50,553,825)
Noninstructional services	9,930,751	5,119,187	5,344,417	532,853
Sixteenth section	281,602	47,808	--	(233,794)
Pension expense	25,780,103	--	--	(25,780,103)
OPEB expense	804,781	--	--	(804,781)
Interest on long-term liabilities	5,816,619	--	--	(5,816,619)
Total Governmental Activities	<u>\$ 193,284,127</u>	<u>\$ 9,139,678</u>	<u>\$ 18,960,341</u>	<u>(165,184,108)</u>

General Revenues:

Taxes:

General purpose levies 56,433,078

Debt purpose levies 16,094,476

Unrestricted grants and contributions:

State 83,504,694

Federal 565,897

Unrestricted investment earnings 2,051,111

Decrease in fair market value (136,641)

Sixteenth section sources 1,898,900

Other 1,920,729

Total General Revenues 162,332,244Change in Net Position (2,851,864)

Net Position (Deficit) - Beginning, as previously reported (65,334,697)

Prior Period Adjustment (14,817,284)Net Position (Deficit) - Beginning, as restated (80,151,981)Net Position (Deficit) - Ending \$ (83,003,845)

The accompanying notes are an integral part of this statement.

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RANKIN COUNTY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Title I Fund
	<hr/>	<hr/>
Assets:		
Cash and cash equivalents	\$ 25,075,833	\$ --
Cash with fiscal agents	--	--
Investments	--	--
Due from other governments	1,775,754	406,088
Accrued interest receivable	--	--
Other receivables, net	136,467	--
Due from other funds	1,637,314	--
Inventories	--	--
Total Assets	<u>\$ 28,625,368</u>	<u>\$ 406,088</u>
Liabilities and Fund Balances:		
Liabilities:		
Accounts payable and accrued liabilities	\$ 306,887	\$ --
Due to other funds	--	406,088
Unearned revenue	37,905	--
Total Liabilities	<u>344,792</u>	<u>406,088</u>
Fund Balances:		
Non-spendable:		
Inventory	--	--
Permanent fund principal	--	--
Restricted:		
Unemployment benefits	--	--
Forestry improvements	--	--
Contractual commitments	--	--
Debt service	--	--
Grant activities	--	--
Food service	--	--
Assigned:		
School activities	1,588,153	--
Self insurance - computers	615,219	--
Extended day enrichment program	588,343	--
Security supplies	449,500	--
Special education	201,335	--
At risk program	85,060	--
Gathering grounds local	--	--
R-PAL special	--	--
Forestry improvements	--	--
Other purposes	1,728,833	--
Unassigned	<u>23,024,133</u>	<u>--</u>
Total Fund Balances	<u>28,280,576</u>	<u>--</u>
Total Liabilities and Fund Balances	<u>\$ 28,625,368</u>	<u>\$ 406,088</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C

<u>EHA (IDEA) Fund</u>	<u>2017 Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ --	\$ 59,507	\$ 17,973,845	\$ 43,109,185
--	13,387,524	--	13,387,524
--	89,783,790	15,420,125	105,203,915
581,664	--	851,008	3,614,514
--	333,175	48,523	381,698
--	--	--	136,467
--	--	--	1,637,314
--	--	260,818	260,818
<u>\$ 581,664</u>	<u>\$ 103,563,996</u>	<u>\$ 34,554,319</u>	<u>\$ 167,731,435</u>
\$ --	\$ 2,029,958	\$ 13,149	\$ 2,349,994
581,664	--	542,411	1,530,163
--	--	--	37,905
<u>581,664</u>	<u>2,029,958</u>	<u>555,560</u>	<u>3,918,062</u>
--	--	260,818	260,818
--	--	16,743,064	16,743,064
--	--	441,574	441,574
--	--	223,437	223,437
--	101,534,038	4,810,875	106,344,913
--	--	7,186,144	7,186,144
--	--	159,071	159,071
--	--	4,131,356	4,131,356
--	--	--	1,588,153
--	--	--	615,219
--	--	--	588,343
--	--	--	449,500
--	--	--	201,335
--	--	--	85,060
--	--	20,771	20,771
--	--	19,400	19,400
--	--	2,249	2,249
--	--	--	1,728,833
--	--	--	23,024,133
<u>--</u>	<u>101,534,038</u>	<u>33,998,759</u>	<u>163,813,373</u>
<u>\$ 581,664</u>	<u>\$ 103,563,996</u>	<u>\$ 34,554,319</u>	<u>\$ 167,731,435</u>

RANKIN COUNTY SCHOOL DISTRICT

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

Total fund balances for governmental funds \$ 163,813,373

Amounts reported for governmental activities in the Statement of Net Position
are different because:

Capital assets used in governmental activities are not reported in the funds.	167,189,493
Liabilities due in one year are not recognized in the funds.	(11,681,709)
Payables for bond principal which are not due in the current period are not reported in the funds.	(110,775,000)
Payables for leases which are not due in the current period are not reported in the funds.	(1,089,157)
Payables for bond interest which are not due in the current period are not reported in the funds.	(451,531)
Payables for notes which are not due in the current period are not reported in the funds.	(24,840,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(1,184,448)
Deferred amount on refunding is accounted for in SNP as a Deferred Outflow of Resources but not in the funds.	307,599
Recognition of the School District's proportionate share of the net pension liability is not reported in the funds.	(246,309,827)
Deferred Inflows of Resources related to the pension plan are not reported in the funds.	(29,875,736)
Deferred Outflows of Resources related to the pension plan are not reported in the funds.	42,130,869
Bond premiums are amortized in the SNP but not in the funds.	(15,743,456)
Note premiums are amortized in the SNP but not in the funds.	(151,551)
Recognition of the School District's proportionate share of the net OPEB liability is not reported in the funds.	(14,521,649)
Deferred Inflows of Resources related to the OPEB plan are not reported in the funds.	(770,829)
Deferred Outflows of Resources related to the OPEB plan are not reported in the funds.	949,714

Net position of governmental activities \$ (83,003,845)

The accompanying notes are an integral part of this statement.

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RANKIN COUNTY SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Title I Fund
Revenues:		
Local sources	\$ 63,588,861	\$ --
Decrease in fair market value	--	--
Intermediate sources	6,139	--
State sources	83,059,449	--
Federal sources	608,657	2,468,638
Sixteenth section sources	1,379,288	--
Total Revenues	<u>148,642,394</u>	<u>2,468,638</u>
Expenditures:		
Instruction	91,863,401	1,931,694
Support services	52,071,423	467,160
Noninstructional services	1,980,762	46,966
Sixteenth section	259,072	--
Facilities acquisition and construction	182,015	--
Debt service:		
Principal	3,785,230	--
Interest	16,157	--
Other	--	--
Total Expenditures	<u>150,158,060</u>	<u>2,445,820</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,515,666)</u>	<u>22,818</u>
Other Financing Sources (Uses):		
Notes issued	--	--
Inception of leases	3,423,346	--
Insurance recovery	8,648	--
Sale of transportation equipment	9,641	--
Sale of other property	1,647,208	--
Operating transfers in	536,894	--
Operating transfers out	(2,288,593)	(22,818)
Other financing uses	--	--
Total Other Financing Sources (Uses)	<u>3,337,144</u>	<u>(22,818)</u>
Net Change in Fund Balances	<u>1,821,478</u>	<u>--</u>
Fund Balances:		
July 1, 2017, as previously reported	26,459,098	--
Prior period adjustment	--	--
July 1, 2017, as restated	<u>26,459,098</u>	<u>--</u>
Increase (decrease) in inventory	--	--
June 30, 2018	<u>\$ 28,280,576</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

EXHIBIT D

EHA (IDEA) Fund	2017 Construction Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 1,471,488	\$ 19,339,218	\$ 84,399,567
--	--	(136,641)	(136,641)
--	--	--	6,139
--	--	5,750,595	88,810,044
3,505,984	--	7,059,037	13,642,316
--	--	802,694	2,181,982
<u>3,505,984</u>	<u>1,471,488</u>	<u>32,814,903</u>	<u>188,903,407</u>
1,815,927	--	7,871,037	103,482,059
1,555,844	2,219,387	1,617,752	57,931,566
688	--	7,832,744	9,861,160
--	--	36,912	295,984
--	9,457,493	41,993	9,681,501
--	--	8,250,000	12,035,230
--	--	6,071,672	6,087,829
--	--	115,085	115,085
<u>3,372,459</u>	<u>11,676,880</u>	<u>31,837,195</u>	<u>199,490,414</u>
<u>133,525</u>	<u>(10,205,392)</u>	<u>977,708</u>	<u>(10,587,007)</u>
--	--	4,905,000	4,905,000
--	--	--	3,423,346
--	--	--	8,648
--	--	--	9,641
--	--	--	1,647,208
--	--	2,376,593	2,913,487
(133,525)	--	(468,551)	(2,913,487)
--	--	(136,641)	(136,641)
<u>(133,525)</u>	<u>--</u>	<u>6,676,401</u>	<u>9,857,202</u>
<u>--</u>	<u>(10,205,392)</u>	<u>7,654,109</u>	<u>(729,805)</u>
--	113,835,113	24,421,425	164,715,636
--	(2,095,683)	2,095,683	--
--	111,739,430	26,517,108	164,715,636
--	--	(172,458)	(172,458)
<u>\$ --</u>	<u>\$ 101,534,038</u>	<u>\$ 33,998,759</u>	<u>\$ 163,813,373</u>

RANKIN COUNTY SCHOOL DISTRICT

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018*

Net change in fund balances - total governmental funds	\$ (729,805)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	10,369,144
The depreciation of capital assets used in governmental activities is not reported in the funds.	(5,452,207)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(66,263)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	4,480,000
Repayment of notes principal is an expenditure in the funds but is not an expense in the SOA.	3,770,000
Repayment of leases principal is an expenditure in the funds but is not an expense in the SOA.	3,785,230
(Increase) decrease in accrued interest from beginning of period to end of period.	232,994
Change in inventory affects fund balance in the funds but affects expense in the SOA.	(172,458)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(20,310)
Proceeds of notes do not provide revenue in the SOA, but are reported as current resources in the funds.	(4,905,000)
Bond premiums are reported in the funds, capitalized and amortized in the SOA.	225,523
Note premiums are reported in the funds, capitalized and amortized in the SOA.	30,311
Inception of leases do not provide revenue in the SOA, but are reported as current resources in the funds.	(3,423,346)
Deferred Outflow of Resources related to refunding of debt is amortized in SOA but not in the funds.	(102,533)
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.	15,066,378
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(25,780,103)
Amounts paid by employer as benefits come due subsequent to measurement date of NOL and before end of reporting period.	645,362
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	(804,781)
Change in net position of governmental activities	\$ <u>(2,851,864)</u>

The accompanying notes are an integral part of this statement.

RANKIN COUNTY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2018

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 167,549	\$ 6,851,770
Total Assets	<u>\$ 167,549</u>	<u>\$ 6,851,770</u>
Liabilities		
Accounts payable and accrued liabilities		\$ 6,023,765
Due to student clubs		720,854
Due to other funds		107,151
Total Liabilities		<u>\$ 6,851,770</u>
Net Position		
Reserved for endowments	\$ 167,549	
Total Net Position	<u>\$ 167,549</u>	

The accompanying notes are an integral part of this statement.

RANKIN COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Private-Purpose Trust Funds
Additions	
Investment Income	\$ 1,200
Contributions and donations from private sources	2,000
Total Additions	<u>3,200</u>
Deductions	
Scholarship Awards	700
Dues fees	1,000
Total Deductions	<u>1,700</u>
Change in Net Position	1,500
Net Position	
July 1, 2017	166,049
June 30, 2018	<u>\$ 167,549</u>

The accompanying notes are an integral part of this statement.

Rankin County School District

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

Rankin County School District

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

B. Government-wide and Fund Financial Statements

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

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

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Rankin County School District

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

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.

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.

Title I Fund - This is a special revenue fund that accounts for the federal revenue received and expenditures incurred related to the Title I grants to local educational agencies program.

EHA (IDEA) Fund - This fund is used to account for the federal revenues and expenditures of the Special Education Program.

2017 Construction Fund - This is a capital projects fund that accounts for the acquisition, construction, or renovation of major capital facilities.

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

The school district also reports fiduciary funds which focus on net position and changes in net position.

Rankin County School District

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

The District's fiduciary funds include the following:

Student Club Funds - These funds are used to account for the transaction of student clubs.

Payroll Clearing Fund - This fund is used as a clearing account for payroll and payroll related transactions.

Accounts Payable Clearing Fund - This fund is used to report the resources of paid claims held by the district in a purely custodial capacity (assets and liabilities) and does not involve the measurement of results of operations.

Scholarship Funds - These funds are private purpose funds that serve to report all trust arrangements.

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

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

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

FIDUCIARY FUNDS

Private-purpose Trust Funds - Private-purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, in which the principal and income benefit individuals, private organizations or other governments.

Rankin County School District

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

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

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

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

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

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

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

Ad valorem property taxes are levied by the governing authority of the 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.

Rankin County School District

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

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

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

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

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

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

The 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.

Rankin County School District

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as

Rankin County School District

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

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. The unspent proceeds of long-term debt is classified as restricted assets. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

Rankin County School District

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

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

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement 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 three deferred outflow items which are presented as deferred charges on debt refunding, deferred outflow for pensions, and deferred outflow for OPEB.

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 two deferred inflow items which are presented as deferred outflow for pensions and deferred outflow for OPEB.

See Note 14 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

Rankin County School District

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

district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

11. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB 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. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Fiduciary net position was

Rankin County School District

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

zero as of the measurement date of June 30, 2017.

12. Fund Balances

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

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

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

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

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

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

Rankin County School District

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

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

The goal of the District is to maintain an unassigned fund balance in the District Maintenance Fund of at least 10% at fiscal year of its total revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District will develop a restoration plan to achieve and maintain the minimum fund balance.

13. New Pronouncements

In June 2017, the GASB issued GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This statement is effective for fiscal years beginning after June 15, 2017.

Note 2 - Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school districts' 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.

Rankin County School District

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

to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$43,109,185 and \$7,019,319, 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 district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2018, none of the district's bank balance of \$59,977,056 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$13,387,524.

Rankin County School District

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

Investments

As of June 30, 2018, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
Federal Home Loan Bank	AA+	1 to 5	\$ 47,799,858
Federal Home Loan Mortgage		1 to 5	12,482,775
Farmer MAC		1 to 5	999,500
Federal National Mortgage	AA+	1 to 5	11,421,835
Federal Agricultural Mortgage Corporation		1 to 5	993,930
Mississippi Development Bank Special Obligation Bonds	AA	1 to 5	699,475
U.S. Treasury		1 year or less	15,916,522
Federal Farm Credit Bank	AA+	1 to 5	14,890,020
Total			<u>\$ 105,203,915</u>

The district categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The district has the following recurring fair value measurements as of June 30, 2018:

Level 1 type of investments of \$105,203,915 are valued using quoted market prices (Level 1 inputs)

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

Credit Risk. State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The district does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of

Rankin County School District

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

its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk.

Concentration of Credit Risk. Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments.

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>
General Fund	Title I Fund	\$ 406,088
	EHA (IDEA) Fund	581,664
	Fiduciary Funds	107,151
	Other Governmental Funds	542,411
Total		<u>\$ 1,637,314</u>

The amounts primarily represent inter-fund balances created by loans from the General Fund to special revenue funds to provide adequate cash flow for those funds operating on an expenditure reimbursement basis. Cash is loaned to the funds for operational purposes, and the loans are repaid after reimbursement for grant expenditures is received.

B. Inter-fund Transfers

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Title I Fund	\$ 22,818
	EHA (IDEA) Fund	45,525
	Other Governmental Funds	468,551
Other Governmental Funds	General Fund	2,288,593
	EHA (IDEA) Fund	88,000
Total		<u>\$ 2,913,487</u>

Rankin County School District

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

Transfers represent indirect costs from special revenue funds to the General Fund and operational transfers from the General Fund to other governmental funds. Also represented are operational transfers between other governmental funds.

Note 4 - Restricted Assets

The restricted assets represent the cash and investment balances, totaling \$1,274,416 and \$15,420,125, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

The restricted assets represent the unexpended note proceeds in the form of cash balance of \$4,810,875 of the 2018 EEF Construction Fund which is legally restricted and may not be used for purposes that support the district's programs.

The restricted assets represent the unexpended bond proceeds in the form of cash, cash with fiscal agents and investment balances of \$59,507, \$13,387,524, and \$89,783,790, respectively, of the 2017 Construction Fund which is legally restricted and may not be used for purposes that support the district's programs.

Rankin County School District

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

Note 5 - Capital Assets

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

	Balance 7-1-2017	Additions	Deletions	Completed Construction	Adjustments	Balance 6-30-2018
<u>Non-depreciable capital assets:</u>						
Land	\$ 10,316,388					10,316,388
Construction in progress	7,805,736	8,870,519		(8,033,454)	(17,441)	8,625,360
Total non-depreciable capital assets	18,122,124	8,870,519	0	(8,033,454)	(17,441)	18,941,748
<u>Depreciable capital assets:</u>						
Buildings	194,989,111	334,418		244,487		195,568,016
Building improvements	9,271,652	476,564		7,788,967		17,537,183
Mobile equipment	18,220,266	318,080	643,574			17,894,772
Furniture and equipment	6,581,004	369,563	81,576			6,868,991
Total depreciable capital assets	229,062,033	1,498,625	725,150	8,033,454	0	237,868,962
<u>Less accumulated depreciation for:</u>						
Buildings	63,974,151	3,812,985				67,787,136
Building improvements	2,257,723	680,136				2,937,859
Mobile equipment	12,965,458	680,621	578,127			13,067,952
Furniture and equipment	5,630,565	278,465	80,760			5,828,270
Total accumulated depreciation	84,827,897	5,452,207	658,887	0	0	89,621,217
Total depreciable capital assets, net	144,234,136	(3,953,582)	66,263	8,033,454	0	148,247,745
Governmental activities capital assets, net	\$ 162,356,260	4,916,937	66,263	0	(17,441)	167,189,493

Adjustments were made to properly present construction in progress at year end.

Depreciation expense was charged to the following governmental functions:

	Amount
Instructional	\$ 3,195,553
Support services	1,737,205
Non-instructional	519,449
Total depreciation expense	\$ 5,452,207

Rankin County School District

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

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

Governmental Activities:	Spent to June 30, 2018	Remaining Commitments
Brandon Elementary School Addition	\$ 123,046	4,218,749
Brandon High School Addition	104,616	14,210,447
Steen's Creek Elementary School Addition	27,166	551,587
Florence Elementary School Special Education Playground	76,589	19,677
Florence Elementary School Addition	244,530	2,168,128
McLaurin Elementary School Addition	99,064	2,488,315
McLaurin High School Addition	954,183	6,713,993
Northwest Rankin Elementary School Addition	697,936	1,495,105
Northshore Elementary School Addition	41,306	928,474
Oakdale Elementary School Addition	35,491	714,834
Highland Bluff Elementary School Addition	43,866	875,886
Pelahatchie Elementary School Addition	72,047	2,519,560
Pelahatchie High School Addition	368,616	6,722,499
Pisgah High School Addition	959,870	7,745,405
Puckett High School Addition	35,354	4,332,923
Puckett Elementary School Addition	719,538	2,016,680
Richland Elementary School Addition	21,682	3,760,785
Richland Upper Elementary School Addition	1,657,526	2,559,302
Richland High School Addition	42,600	6,214,787
Brandon Middle School Addition	1,458,270	22,066,596
Northwest High School - New School	842,064	42,101,632
Total	\$ 8,625,360	134,425,364

Construction projects included in governmental activities are funded with general obligation bonds proceeds.

Rankin County School District

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

Note 6 - Long-term liabilities

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

	Balance 7-1-2017	Additions	Reductions	Balance 6-30-2018	Amounts due within one year
A. General obligation bonds payable	\$ 100,750,000			100,750,000	
General obligation refunding bonds payable	19,195,000		4,480,000	14,715,000	4,690,000
B. Three mill notes payable	27,500,000	4,905,000	3,770,000	28,635,000	3,795,000
C. Obligations under lease payable	3,576,074	3,423,346	3,785,230	3,214,190	2,125,033
D. Compensated absences payable	1,164,138	20,310		1,184,448	
Total	\$ 152,185,212	8,348,656	12,035,230	148,498,638	10,610,033

	Balance 7-1-2017	Change	Balance 6-30-2018	Amounts due within one year
Premiums on bonds	\$ 16,393,846	225,523	16,168,323	424,867
Premiums on notes	212,173	30,311	181,862	30,311
Total	\$ 16,606,019	255,834	16,350,185	455,178

A. General obligation bonds payable

General obligation bonds are direct obligations and pledge the full faith and credit of the school district. General obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation refunding bonds, Series 2016	2.0-5.00%	10-01-16	10-01-20	\$ 19,395,000	14,715,000
General obligation bonds, Series 2017	3.5-5.00%	06-20-17	06-20-42	100,750,000	100,750,000
				<u>\$ 120,145,000</u>	<u>115,465,000</u>

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

1. General obligation refunding bond issue of 2016:

Year Ending June 30	Principal	Interest	Total
2019	\$ 4,690,000	618,500	5,308,500
2020	4,905,000	378,625	5,283,625
2021	5,120,000	128,000	5,248,000
Total	\$ 14,715,000	1,125,125	15,840,125

Rankin County School District

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

This debt will be retired from the 2001 Bond Issue Retirement Fund.

2. General obligation bond issue of 2017:

Year Ending June 30	Principal	Interest	Total
2019	\$ 0	4,686,000	4,686,000
2020	0	4,686,000	4,686,000
2021	2,625,000	4,620,375	7,245,375
2022	2,760,000	4,485,750	7,245,750
2023	2,905,000	4,344,125	7,249,125
2024 - 2028	16,910,000	19,328,500	36,238,500
2029 - 2033	21,615,000	14,619,650	36,234,650
2034 - 2038	27,075,000	9,157,850	36,232,850
2039 - 2042	26,860,000	2,125,200	28,985,200
Total	\$ <u>100,750,000</u>	<u>68,053,450</u>	<u>168,803,450</u>

This debt will be retired from the 2017 Bond Issue Retirement Fund.

Total general obligation bond payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2019	\$ 4,690,000	5,304,500	9,994,500
2020	4,905,000	5,064,625	9,969,625
2021	7,745,000	4,748,375	12,493,375
2022	2,760,000	4,485,750	7,245,750
2023	2,905,000	4,344,125	7,249,125
2024 - 2028	16,910,000	19,328,500	36,238,500
2029 - 2033	21,615,000	14,619,650	36,234,650
2034 - 2038	27,075,000	9,157,850	36,232,850
2039 - 2042	26,860,000	2,125,200	28,985,200
Total	\$ <u>115,465,000</u>	<u>69,178,575</u>	<u>184,643,575</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2018, the amount of outstanding bonded indebtedness was equal to 8% of property assessments as of October 1, 2017.

Rankin County School District

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

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
2006 Three Mill Note	3.5-4.42%	08-01-06	08-01-17	\$ 17,000,000	0
2008 Three Mill Note	3.0-4.0%	06-01-08	06-01-18	4,500,000	0
2009 Three Mill Note	2.5-3.25%	05-06-09	04-01-19	5,700,000	675,000
2014 Three Mill Note	2.25-3.0%	08-01-13	08-01-23	12,000,000	7,580,000
2015 Three Mill Refunding Note	2.0-5.0%	06-30-15	08-01-26	9,405,000	9,240,000
2016 Three Mill Note	1.85%	06-01-15	06-01-27	8,000,000	6,235,000
2018 EEF Note	3.12%	06-01-18	06-01-28	4,905,000	4,905,000
Total				\$ <u>61,510,000</u>	<u>28,635,000</u>

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

1. Three mill note payable issued in 2006:

This debt was paid off during the fiscal year and retired from the 3 Mill 20 Year (2006) Fund.

2. Three mill note payable issued in 2008:

This debt was paid off during the fiscal year and retired from the EEF Building and Buses Fund.

3. Three mill note payable issued in 2009:

Year Ending June 30	Principal	Interest	Total
2019	\$ <u>675,000</u>	<u>21,938</u>	<u>696,938</u>

This debt will be retired from the 3 Mill 10 Year (2009) Fund.

Rankin County School District

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

4. Three mill note payable issued in 2013:

Year Ending June 30	Principal	Interest	Total
2019	\$ 1,180,000	206,750	1,386,750
2020	1,210,000	173,850	1,383,850
2021	1,245,000	137,025	1,382,025
2022	1,280,000	99,150	1,379,150
2023	1,315,000	60,225	1,375,225
2024	1,350,000	20,250	1,370,250
Total	\$ <u>7,580,000</u>	<u>697,250</u>	<u>8,277,250</u>

This debt will be retired from the 3 Mill 10 Year (2014) Fund.

5. Three mill refunding note payable issued in 2015:

Year Ending June 30	Principal	Interest	Total
2019	\$ 895,000	338,500	1,233,500
2020	920,000	320,350	1,240,350
2021	940,000	297,050	1,237,050
2022	970,000	273,250	1,243,250
2023	995,000	238,675	1,233,675
2024 - 2027	4,520,000	423,800	4,943,800
Total	\$ <u>9,240,000</u>	<u>1,891,625</u>	<u>11,131,625</u>

This debt will be retired from the Three Mill Notes 2006 Fund.

6. Three mill note payable issued in 2015:

Year Ending June 30	Principal	Interest	Total
2019	\$ 620,000	147,668	767,668
2020	635,000	136,074	771,074
2021	655,000	124,072	779,072
2022	675,000	110,318	785,318
2023	690,000	95,131	785,131
2024 - 2027	2,960,000	195,924	3,155,924
Total	\$ <u>6,235,000</u>	<u>809,187</u>	<u>7,044,187</u>

Rankin County School District

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

This debt will be retired from the Three Mill 12 Year 2016 Fund.

7. Three mill note payable issued in 2018:

Year Ending June 30	Principal	Interest	Total
2019	\$ 425,000	152,889	577,889
2020	440,000	139,642	579,642
2021	455,000	125,927	580,927
2022	465,000	111,744	576,744
2023	480,000	97,250	577,250
2024 - 2028	<u>2,640,000</u>	<u>252,009</u>	<u>2,892,009</u>
Total	\$ <u>4,905,000</u>	<u>879,461</u>	<u>5,784,461</u>

This debt will be retired from the EEF Building and Buses Fund.

Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2019	\$ 3,795,000	867,745	4,662,745
2020	3,205,000	769,916	3,974,916
2021	3,295,000	684,074	3,979,074
2022	3,390,000	594,462	3,984,462
2023	3,480,000	491,281	3,971,281
2024 - 2028	<u>11,470,000</u>	<u>891,983</u>	<u>12,361,983</u>
Total	\$ <u>28,635,000</u>	<u>4,299,461</u>	<u>32,934,461</u>

C. Obligations under Leases

The school district has entered into lease agreements as lessee for financing the acquisition of computers at a cost of \$998,000, \$4,468,176, \$2,872,469, \$2,797,696 and \$625,650, respectively.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Master Lease - 2015 Computers	1.58%	09-04-14	09-05-17	\$ 998,000	0
Master Lease - 2016 Computers	2.31%	08-05-15	08-05-17	4,468,176	0
Master Lease - 2017 Computers	0.00%	08-15-16	08-15-18	2,872,469	957,490
Master Lease - 2017 Computers	0.00%	08-15-17	08-15-19	2,797,696	1,837,751
Chromebooks	1.80%	08-16-17	05-16-20	625,650	418,949
Total				\$ <u>11,761,991</u>	<u>3,214,190</u>

Rankin County School District

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

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

1. Master Lease 2015 Computers:

This debt was paid off during the fiscal year and retired from the District Maintenance Fund.

2. Master Lease 2016 Computers:

This debt was paid off during the fiscal year and retired from the District Maintenance Fund.

3. Master Lease - 2017 Computers:

Year Ending June 30	Principal
2019	\$ <u>957,490</u>

This debt will be retired from the District Maintenance Fund.

4. Master Lease 2017 Computers:

Year Ending June 30	Principal
2019	\$ 959,945
2020	877,806
Total	\$ <u>1,837,751</u>

This debt will be retired from the District Maintenance Fund.

5. Chromebooks:

Year Ending June 30	Principal	Interest	Total
2019	\$ 207,598	6,611	214,209
2020	211,351	2,858	214,209
Total	\$ <u>418,949</u>	<u>9,469</u>	<u>428,418</u>

This debt will be retired from the District Maintenance Fund.

Rankin County School District

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

Total obligation under leases payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2019	\$ 2,125,033	6,611	2,131,644
2020	1,089,157	2,858	1,092,015
Total	\$ 3,214,190	9,469	3,223,659

The school district uses the straight-line method of amortization for the lease payments which is not in accordance with accounting principles generally accepted in the United States of America. However, the difference between the effective interest method and the straight-line method is not considered material.

D. Compensated absences payable

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

Note 7 - Prior Year Defeasance of Debt

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

Note 8 - 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.

Rankin County School District

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

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2018 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2018, 2017, and 2016, were \$15,066,378, \$14,970,737, and \$14,776,908, 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 \$246,309,827 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2018 net pension liability was 1.481706 percent, which was based on a measurement date of June 30, 2017. This was an increase of

Rankin County School District

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

0.015111 percent from its proportionate share used to calculate the June 30, 2017 net pension liability, which was based on a measurement date of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$25,780,103. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,770,121	\$ 1,797,253
Net difference between projected and actual earnings on pension plan investments	1,669,908	
Changes of assumptions	251,557	
Changes in proportion and differences between District contributions and proportionate share of contributions	14,372,905	28,078,483
District contributions subsequent to the measurement date	15,066,378	
Total	<u>\$ 42,130,869</u>	<u>\$ 29,875,736</u>

\$15,066,378 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:	
2019	\$ 2,283,149
2020	5,442,183
2021	(729,068)
2022	<u>(9,807,509)</u>
Total	<u>\$ (2,811,245)</u>

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

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

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

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-estimates 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%	0.00%
Total	100%	

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

Rankin County School District

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ <u>323,051,781</u>	\$ <u>246,309,827</u>	\$ <u>182,597,328</u>

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

Note 9 - Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

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

Benefits provided.

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees'

Rankin County School District

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

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 \$645,362 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$15,138,147 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 1.92938734 percent. This was an increase of 0.04381529 percent from the proportionate share as of the measurement date of June 30, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$804,781. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Rankin County School District

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	\$	\$ 770,829
Changes in proportion and differences between District contributions and proportionate share of contributions	304,352	
District contributions subsequent to the measurement date	645,362	
Total	\$ 949,714	\$ 770,829

\$645,362 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:

2019	\$ (81,838)
2020	(81,838)
2021	(81,838)
2022	(81,838)
2023	(81,838)
Thereafter	(57,287)
Total	\$ (466,477)

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:

Rankin County School District

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

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

Rankin County School District

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

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

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

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

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

		1% Decrease (2.56%)		Discount Rate (3.56%)		1% Increase (4.56%)
Net OPEB liability	\$	15,537,935	\$	15,138,147	\$	14,840,423

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	\$	13,981,093	\$	15,138,147	\$	16,459,044

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.

Rankin County School District

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

Note 10 - Risk Management

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

Note 11 - Contingencies

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

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

Note 12 - Other Commitments

Commitments under construction contracts are described in Note 5.

Note 13 - Prior Period Adjustments

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

Exhibit B - Statement of Activities

<u>Explanation(s)</u>		<u>Amount</u>
1. Implementation of GASB 75:		\$
Net OPEB Liability (06-30-17)	(15,395,488)	
Deferred outflows - contributions made during fiscal year 2017	595,645	
Total prior period adjustment related to GASB 75		(14,799,843)
2. Adjustments were made to properly present construction in progress at year end.		(17,441)
3. Adjustment made to properly present prior year assets.		2,095,683
4. Adjustment made to properly present prior year assets.		(2,095,683)
Total		\$ (14,817,284)

Rankin County School District

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

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

Fund	Explanation	Amount
2017 Construction Fund	Adjustment made to properly present prior year assets.	\$ (2,095,683)
Other Governmental Funds	Adjustment made to properly present prior year assets.	2,095,683
Total		\$ <u>0</u>

Note 14 - Effect of Deferred Amounts on Net Position

The net investment in capital assets net position amount of \$113,391,820 includes the effect of deferring the recognition of expenses resulting from a deferred outflow from advance refunding of school district debt. The \$307,599, balance of the deferred outflow of resources at June 30, 2018 will be recognized as an expense and decrease the net investment in capital assets net position.

The unrestricted net position amount of (\$225,089,598) 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 \$15,066,378 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 \$27,064,491 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 (\$225,089,598) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$29,875,736 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 (\$225,089,598) 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 \$645,362 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 \$304,352 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 (\$225,089,598) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$770,829 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.

Rankin County School District

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

Note 15 - Insurance Loss Recoveries

The Rankin County School District received \$8,648 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 support services.

Note 16 - Sixteenth Section Lands

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

Year Ending June 30	Amount
2019	\$ 1,012,243
2020	1,008,703
2021	975,857
2022	940,177
2023	924,001
2024 - 2028	4,386,918
2029 - 2033	3,257,249
2034 - 2038	2,236,061
2039 - 2043	1,118,692
2044 - 2048	518,106
2049 - 2053	179,845
2054 - 2058	122,195
2059 - 2063	113,250
2064 - 2068	113,250
2068 - 2073	113,250
2074 - 2078	113,250
2079 - 2083	113,250
2084 - 2088	62,000
2089 - 2093	4,500
2094 - 2098	4,500
2099 - 2103	4,500
2104 - 2108	4,500
2109 - 2113	4,500
Total	\$ 17,330,797

Rankin County School District

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

Note 17 - 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 Rankin County School District evaluated the activity of the district through 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

RANKIN COUNTY SCHOOL DISTRICT

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2018

Exhibit 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 63,270,070	63,667,610	63,588,861	397,540	(78,749)
Intermediate sources	10,000	10,000	6,139	-	(3,861)
State sources	85,196,971	85,196,971	83,059,449	-	(2,137,522)
Federal sources	507,000	507,000	608,657	-	101,657
Sixteenth section sources	1,489,965	1,489,965	1,379,288	-	(110,677)
Total Revenues	<u>150,474,006</u>	<u>150,871,546</u>	<u>148,642,394</u>	<u>397,540</u>	<u>(2,229,152)</u>
Expenditures:					
Instruction	92,459,847	93,135,043	91,863,401	(675,196)	1,271,642
Support services	53,306,236	53,088,019	52,071,423	218,217	1,016,596
Noninstructional services	2,121,710	2,121,710	1,980,762	-	140,948
Sixteenth section	271,090	271,254	259,072	(164)	12,182
Facilities acquisition and construction	30,000	112,663	182,015	(82,663)	(69,352)
Debt service:					
Principal	3,812,234	3,812,234	3,785,230	-	27,004
Interest	-	-	16,157	-	(16,157)
Total Expenditures	<u>152,001,117</u>	<u>152,540,923</u>	<u>150,158,060</u>	<u>(539,806)</u>	<u>2,382,863</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,527,111)</u>	<u>(1,669,377)</u>	<u>(1,515,666)</u>	<u>(142,266)</u>	<u>153,711</u>
Other Financing Sources (Uses):					
Inception of leases	-	-	3,423,346	-	3,423,346
Insurance recovery	-	-	8,648	-	8,648
Sale of transportation equipment	-	-	9,641	-	9,641
Sale of other property	-	-	1,647,208	-	1,647,208
Operating transfers in	-	-	536,894	-	536,894
Other financing sources	21,409,223	21,276,911	-	(132,312)	(21,276,911)
Operating transfers out	-	-	(2,288,593)	-	(2,288,593)
Other financing uses	(20,303,247)	(20,303,247)	-	-	20,303,247
Total Other Financing Sources (Uses)	<u>1,105,976</u>	<u>973,664</u>	<u>3,337,144</u>	<u>(132,312)</u>	<u>2,363,480</u>
Net Change in Fund Balances	<u>(421,135)</u>	<u>(695,713)</u>	<u>1,821,478</u>	<u>(274,578)</u>	<u>2,517,191</u>
Fund Balances:					
July 1, 2017	<u>23,934,900</u>	<u>26,459,099</u>	<u>26,459,098</u>	<u>2,524,199</u>	<u>(1)</u>
June 30, 2018	<u>\$ 23,513,765</u>	<u>25,763,386</u>	<u>28,280,576</u>	<u>2,249,621</u>	<u>2,517,190</u>

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

RANKIN COUNTY SCHOOL DISTRICT

Budgetary Comparison Schedule

Title I Fund

For the Year Ended June 30, 2018

Exhibit 2

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 3,000,000	3,122,125	2,468,638	122,125	(653,487)
Total Revenues	<u>3,000,000</u>	<u>3,122,125</u>	<u>2,468,638</u>	<u>122,125</u>	<u>(653,487)</u>
Expenditures:					
Instruction	2,007,000	2,421,629	1,931,694	(414,629)	489,935
Support services	841,000	544,434	467,160	296,566	77,274
Noninstructional services	122,000	126,062	46,966	(4,062)	79,096
Total Expenditures	<u>2,970,000</u>	<u>3,092,125</u>	<u>2,445,820</u>	<u>(122,125)</u>	<u>646,305</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>30,000</u>	<u>30,000</u>	<u>22,818</u>	<u>-</u>	<u>(7,182)</u>
Other Financing Sources (Uses):					
Operating transfers out	<u>(30,000)</u>	<u>(30,000)</u>	<u>(22,818)</u>	<u>-</u>	<u>7,182</u>
Total Other Financing Sources (Uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>(22,818)</u>	<u>-</u>	<u>7,182</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
July 1, 2017	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2018	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

RANKIN COUNTY SCHOOL DISTRICT

Budgetary Comparison Schedule

EHA (IDEA) Fund

For the Year Ended June 30, 2018

Exhibit 3

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 3,775,000	3,904,093	3,505,984	129,093	(398,109)
Total Revenues	<u>3,775,000</u>	<u>3,904,093</u>	<u>3,505,984</u>	<u>129,093</u>	<u>(398,109)</u>
Expenditures:					
Instruction	1,786,060	2,053,022	1,815,927	(266,962)	237,095
Support services	1,713,940	1,700,937	1,555,844	13,003	145,093
Noninstructional services	-	11,000	688	(11,000)	10,312
Total Expenditures	<u>3,500,000</u>	<u>3,764,959</u>	<u>3,372,459</u>	<u>(264,959)</u>	<u>392,500</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>275,000</u>	<u>139,134</u>	<u>133,525</u>	<u>(135,866)</u>	<u>(5,609)</u>
Other Financing Sources (Uses):					
Operating transfers out	<u>(275,000)</u>	<u>(139,134)</u>	<u>(133,525)</u>	<u>135,866</u>	<u>5,609</u>
Total Other Financing Sources (Uses)	<u>(275,000)</u>	<u>(139,134)</u>	<u>(133,525)</u>	<u>135,866</u>	<u>5,609</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
July 1, 2017	-	-	-	-	-
June 30, 2018	\$ -	-	-	-	-

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

Rankin County School District

Schedule of the District's Proportionate Share of the Net Pension Liability

PERS

Last 10 Fiscal Years*

	2018	2017	2016	2015
District's proportionate share of the net pension liability	\$ 246,309,827	261,970,488	221,283,680	172,657,564
District's proportion of the net pension liability	1.481706%	1.466595%	1.431513%	1.422435%
District's covered payroll	95,052,298	93,821,638	89,432,743	86,918,146
District's proportionate share of the net pension liability as a percentage of its covered payroll	259.13%	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	61.49%	57.47%	61.70%	67.21%

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

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

Rankin County School District
Schedule of District Contributions
PERS
Last 10 Fiscal Years*

		2018	2017	2016	2015
Contractually required contribution	\$	<u>15,066,378</u>	<u>14,970,737</u>	<u>14,776,908</u>	<u>14,085,657</u>
Contributions in relation to the contractually required contribution		15,066,378	14,970,737	14,776,908	14,085,657
Contribution deficiency (excess)	\$	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
District's covered payroll		95,659,543	95,052,298	93,821,638	89,432,743
Contributions as a percentage of covered payroll		15.75%	15.75%	15.75%	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

Rankin County School District

Schedule of the District's Proportionate Share of the Net OPEB Liability

OPEB

Last 10 Fiscal Years*

	2018
District's proportionate share of the net OPEB liability	\$ <u>15,138,147</u>
District's proportion of the net OPEB liability	1.92938734%
District's covered-employee payroll	86,682,067 **
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%

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

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

** The amount used to calculate this figure was based on the Plan's covered payroll as of the measurement date.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

Rankin County School District
Schedule of District Contributions
OPEB
Last 10 Fiscal Years*

Contractually required contribution	\$	<u>2018</u> 645,362	**
Contributions in relation to the contractually required contribution		645,362	**
Contribution deficiency (excess)	\$	<u>-</u>	
District's covered-employee payroll		89,684,244	
Contributions as a percentage of covered-employee payroll		0.72%	

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

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in FYE 6/30/18, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

** The amounts reflected above only pertains to the Implicit Rate Subsidy as it relates to contributions.

Rankin County School District

Notes to the Required Supplementary Information For the Year Ended June 30, 2018

Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *Changes of assumptions*

2015:

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

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

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

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

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

2016:

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

2017:

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

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

Rankin County School District

Notes to the Required Supplementary Information (Continued) For the Year Ended June 30, 2018

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%.

(2) *Changes in benefit provisions*

2016:

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

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

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

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

OPEB Schedules

(1) *Changes of assumptions*

2017:

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

(2) *Changes in benefit provisions*

2017:

None

Rankin County School District

Notes to the Required Supplementary Information (Continued)
For the Year Ended June 30, 2018

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

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price Inflation	3 percent
Salary increases, including wage inflation	3.25 percent to 18.50 percent
Initial health care cost trend rates	
Medicare Supplement Claims	
Pre-Medicare	7.75 percent
Ultimate health care cost trend rates	
Medicare Supplement Claims	
Pre-Medicare	5.00 percent
Year of ultimate trend rates	
Medicare Supplement Claims	
Pre-Medicare	2022
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56 percent

- (4) Under GASB 75, employers are also required to consider any implicit subsidy that may be occurring. Medical costs generally increase with advancing age. Therefore, the medical costs for the retiree group are higher than the medical costs for the employee group, even taking Medicare into account. Stated another way, when a plan includes both employees and retirees, the blended premiums are almost always higher than what the premiums would be for employees, and lower than what the premiums would be for retirees, if each group were rated separately. The premium rate difference is referred to as the implicit rate subsidy.

SUPPLEMENTARY INFORMATION

RANKIN COUNTY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2018

Federal Grantor/ Pass-through Grantor/ Program Title/	Pass-through Entity Identifying Number	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U. S. Department of Agriculture</u>			
Direct program:			
Healthier US School Challenge: Smarter Lunchrooms		10.543	\$ 18,722
Subtotal			18,722
Passed-through the Mississippi Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	185MS326N1099	10.553	698,760
National School Lunch Program	185MS326N1099	10.555	4,712,568
Summer Food Service Program for Children	185MS326N1099	10.559	677
Total Child Nutrition Cluster			5,412,005
Total passed-through the Mississippi Department of Education			5,412,005
Total U.S. Department of Agriculture			5,430,727
<u>U. S. Department of Defense</u>			
Direct program:			
Reserve Officers' Training Corps		12.xxx	477,508
Total U.S. Department of Defense			477,508
<u>U. S. Department of Education</u>			
Passed-through Mississippi Board for Community and Junior Colleges:			
Adult Education - Basic Grants to States	V002A170025	84.002	267,893
Total passed-through the Mississippi Board for Community and Junior Colleges			267,893
Passed-through Department of Rehabilitation Services			
Rehabilitation Services - Vocational Rehabilitation Grants to States	H126A180034	84.126	3,192
Total passed-through the Department of Rehabilitation Services			3,192
Passed-through the Mississippi Department of Education:			
Title I Grants to Local Educational Agencies	ES010A170024	84.010	2,480,513
Career and Technical Education - Basic Grants to States	V048A170024	84.048	126,711
English Language Acquisition State Grants	ES365A170024	84.365	51,019
Supporting Effective Instruction State Grants	ES367A170023	84.367	510,913
Student Support and Academic Enrichment Program	ES424A170025	84.424	35,044
Subtotal			3,204,200
Special Education Cluster:			
Special Education - Grants to States	H027A170108	84.027	3,540,508
Positive Behavior Specialists	H027A170108	84.027A	39,568
Special Education - Preschool Grants	H173A170113	84.173	112,825
Total Special Education Cluster			3,692,901
Total passed-through the Mississippi Department of Education			6,897,101
Total U.S. Department of Education			7,168,186
<u>U. S. Department of Health and Human Services</u>			
Passed-through the Mississippi Department of Education:			
Medical Assistance Program	1805MS5ADM	93.778	143,672
Total passed-through the Mississippi Department of Education			143,672
Total U.S. Department of Health and Human Services			143,672
Total for All Federal Awards			\$ 13,220,093

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

Rankin County School District

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

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the 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 School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements; however, the expenditures include transfers out. 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.

(3) Indirect Cost Rate

The school district did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Other Items

Donated commodities of \$769,844 are included in the National School Lunch Program.

RANKIN COUNTY SCHOOL DISTRICT

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2018

		Instruction and Other Student			
Expenditures	Total	Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 132,078,593	102,057,878	3,256,758	11,673,024	15,090,933
Other	67,411,821	19,631,617	1,364,354	233,211	46,182,639
Total	\$ <u>199,490,414</u>	<u>121,689,495</u>	<u>4,621,112</u>	<u>11,906,235</u>	<u>61,273,572</u>
Total number of students	<u>19,145</u>				
Cost per student	\$ <u>10,419</u>	<u>6,356</u>	<u>241</u>	<u>622</u>	<u>3,200</u>

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

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

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

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

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

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

OTHER INFORMATION

RANKIN COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years

"UNAUDITED"

	2018	2017*	2016*	2015*
Revenues:				
Local sources	\$ 63,588,861	62,304,070	60,514,703	56,585,684
Intermediate sources	6,139	12,770	-	-
State sources	83,059,449	82,493,705	82,218,827	79,253,028
Federal sources	608,657	516,201	422,047	417,561
Sixteenth section sources	1,379,288	1,284,320	1,467,594	1,125,291
Total Revenues	<u>148,642,394</u>	<u>146,611,066</u>	<u>144,623,171</u>	<u>137,381,564</u>
Expenditures:				
Instruction	91,863,401	89,517,813	89,105,166	83,758,448
Support services	52,071,423	51,794,804	51,590,866	49,677,621
Noninstructional services	1,980,762	2,025,982	2,188,311	2,102,246
Sixteenth section	259,072	256,869	226,087	206,770
Facilities acquisition and construction	182,015	4,195,639	166,709	22,363
Debt service:				
Principal	3,785,230	2,999,805	2,546,527	1,119,230
Interest	16,157	23,233	31,442	38,316
Total Expenditures	<u>150,158,060</u>	<u>150,814,145</u>	<u>145,855,108</u>	<u>136,924,994</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(1,515,666)</u>	<u>(4,203,079)</u>	<u>(1,231,937)</u>	<u>456,570</u>
Other Financing Sources (Uses):				
Inception of leases	3,423,346	2,872,469	4,468,176	998,000
Insurance recovery	8,648	1,132,991	513,713	945,875
Sale of transportation equipment	9,641	14,132	761	-
Sale of other property	1,647,208	6,435	4,724	1,165
Operating transfers in	536,894	533,531	335,138	339,543
Operating transfers out	(2,288,593)	(2,303,102)	(2,473,955)	(2,493,355)
Other financing uses	-	-	(3,188)	(65,790)
Total Other Financing Sources (Uses)	<u>3,337,144</u>	<u>2,256,456</u>	<u>2,845,369</u>	<u>(274,562)</u>
Net Change in Fund Balances	1,821,478	(1,946,623)	1,613,432	182,008
Fund Balances:				
July 1, as previously reported	26,459,098	28,405,721	26,791,996	25,104,608
Prior period adjustments	-	-	293	1,505,380
July 1, as restated	<u>26,459,098</u>	<u>28,405,721</u>	<u>26,792,289</u>	<u>26,609,988</u>
June 30,	<u>\$ 28,280,576</u>	<u>26,459,098</u>	<u>28,405,721</u>	<u>26,791,996</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

RANKIN COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

"UNAUDITED"

	2018	2017*	2016*	2015*
Revenues:				
Local sources	\$ 84,399,567	75,059,429	72,992,143	68,474,722
Decrease in fair market value	(136,641)	(401,073)	-	-
Intermediate sources	6,139	12,770	-	-
State sources	88,810,044	87,842,210	87,493,204	84,430,711
Federal sources	13,642,316	13,626,380	14,089,148	13,856,341
Sixteenth section sources	2,181,982	2,101,800	2,672,359	2,070,794
Total Revenues	<u>188,903,407</u>	<u>178,241,516</u>	<u>177,246,854</u>	<u>168,832,568</u>
Expenditures:				
Instruction	103,482,059	101,082,284	100,268,147	96,041,426
Support services	57,931,566	56,918,462	56,042,978	54,171,534
Noninstructional services	9,861,160	10,133,979	10,353,805	9,382,442
Sixteenth section	295,984	312,119	276,461	269,493
Facilities acquisition and construction	9,681,501	9,177,186	4,700,452	3,497,219
Debt service:				
Principal	12,035,230	11,559,805	10,751,527	11,259,230
Interest	6,087,829	1,702,173	2,081,297	2,732,757
Other	115,085	1,380,774	202,632	13,128
Total Expenditures	<u>199,490,414</u>	<u>192,266,782</u>	<u>184,677,299</u>	<u>177,367,229</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(10,587,007)</u>	<u>(14,025,266)</u>	<u>(7,430,445)</u>	<u>(8,534,661)</u>
Other Financing Sources (Uses):				
Bonds and notes issued	4,905,000	100,750,000	8,000,000	-
Inception of leases	3,423,346	2,872,469	4,468,176	998,000
Insurance recovery	8,648	1,132,991	513,713	945,875
Refunding bond issued	-	19,395,000	-	-
Premiums on bonds, notes, and refunding debt issued	-	16,394,322	-	-
Payment to refunded bond escrow agent	-	(21,070,132)	-	-
Sale of transportation equipment	9,641	14,132	761	-
Sale of other property	1,647,208	7,061	4,724	1,165
Operating transfers in	2,913,487	2,968,012	2,828,055	3,056,904
Other financing sources	-	20,790	-	-
Operating transfers out	(2,913,487)	(2,968,012)	(2,828,055)	(3,056,904)
Other financing uses	(136,641)	-	(3,188)	(65,790)
Total Other Financing Sources (Uses)	<u>9,857,202</u>	<u>119,516,633</u>	<u>12,984,186</u>	<u>1,879,250</u>
Net Change in Fund Balances	(729,805)	105,491,367	5,553,741	(6,655,411)
Fund Balances:				
July 1, as previously reported	164,715,636	59,155,375	53,557,597	60,210,841
Prior period adjustment	-	-	293	-
July 1, as restated	<u>164,715,636</u>	<u>59,155,375</u>	<u>53,557,890</u>	<u>60,210,841</u>
Increase (decrease) in inventory	(172,458)	68,894	43,744	2,167
June 30,	<u>\$ 163,813,373</u>	<u>164,715,636</u>	<u>59,155,375</u>	<u>53,557,597</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Rankin 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 Rankin 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 Rankin County School District's basic financial statements, and have issued our report thereon dated January 23, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 school district's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Rankin 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*.

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.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
January 23, 2019

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Rankin County School District

Report on Compliance for Each Major Federal Program

We have audited Rankin County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Rankin County School District's major federal programs for the year ended June 30, 2018. The Rankin County School District's major federal programs are identified in the summary of the 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 Rankin 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 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 on the school district's compliance.

Opinion on Each Major Federal Program

In our opinion, the Rankin 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 major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Rankin County School District is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Rankin 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 school district's internal control over compliance.

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

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
January 23, 2019

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Rankin County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rankin County School District as of and for the year ended June 30, 2018, which collectively comprise Rankin County School District's basic financial statements and have issued our report thereon dated January 23, 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 ensure 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 ensure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

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

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

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

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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.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
January 23, 2019

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Rankin 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 control 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? None reported.
5. Type of auditor's report issued on compliance for major programs: Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No.
7. Identification of major programs:

CFDA Numbers:	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies
84.367	Supporting Effective Instruction State Grants

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000.
9. Auditee qualified as low-risk auditee? Yes.
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 2 CFR 200.511(b). Yes.

Section II: Financial Statements Findings

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

Section III: Federal Awards Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to the federal awards.

SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS



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SUMMARY OF PRIOR AUDIT FINDINGS

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), the Rankin County School District has prepared and hereby submits the following summary of prior year audit findings follow up as of June 30, 2018.

<u>Find</u>	<u>Status</u>
2017-001	Corrected