

JACKSON COUNTY SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2016

JACKSON COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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**INDEPENDENT AUDITOR'S REPORT**

Superintendent and School Board  
Jackson County School District

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson County School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Jackson County School District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson County School District, as of June 30, 2016, 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.

## **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, and the Schedule of District Contributions on pages 6-14, 42-44, 45 and 46, 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 Jackson 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 9, 2017, on our consideration of the Jackson County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jackson County School District's internal control over financial reporting and compliance.

Cunningham CPAs, PLLC

Belzoni, Mississippi

January 9, 2017

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JACKSON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016

The following discussion and analysis of Jackson County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2016. 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 2016 increased \$697,808, which represents a 7% increase from fiscal year 2015. Total net position for 2015 decreased \$84,302,303, including a prior period adjustment of (\$85,516,045), which represents a 90% decrease from fiscal year 2014.
- General revenues amounted to \$72,870,921 and \$66,506,995, or 87% and 87% of all revenues for fiscal years 2016 and 2015, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$10,462,530, or 13% of total revenues for 2016, and \$9,787,854, or 13% of total revenues for 2015.
- The District had \$82,635,643 and \$75,081,017 in expenses for fiscal years 2016 and 2015; only \$10,462,530 for 2016 and \$9,787,854 for 2015 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$72,870,921 for 2016 were adequate to provide for these programs and \$66,506,995 for 2015 were adequate to provide for these programs.
- Among major funds, the General Fund had \$69,522,416 in revenues and \$66,635,347 in expenditures for 2016, and \$65,503,279 in revenues and \$63,440,598 in expenditures in 2015. The General Fund's fund balance increased by \$2,721,900 from 2015 to 2016, and increased by \$689,846 from 2014 to 2015.
- Capital assets, net of accumulated depreciation, decreased by \$2,451,733 for 2016 and decreased by \$2,242,657 for 2015. The decrease for 2016 was due to current year additions coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$2,012,117 for 2016 and decreased by \$1,396,601 for 2015. This decrease for 2016 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$150,267 for 2016 and increased by \$269 for 2015.

## 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.

### 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."



JACKSON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016

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, 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 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:

JACKSON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016

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.

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

**Notes to the financial statements**

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

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, Schedule of the District's Proportionate Share of the New Pension Liability, and Schedule of District Contributions 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. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$10,292,031 as of June 30, 2016.

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.

JACKSON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016

Table 1 presents a summary of the District's net position at June 30, 2016 and June 30, 2015.

**Table 1**  
**Condensed Statement of Net Position**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Current assets	\$ 18,189,088	\$ 14,251,393	27.63 %
Restricted assets	2,756,246	2,671,116	3.19 %
Capital assets, net	91,014,187	93,465,920	-2.62 %
<b>Total assets</b>	<b><u>111,959,521</u></b>	<b><u>110,388,429</u></b>	<b>1.42 %</b>
<b>Deferred outflows of resources</b>	<b><u>18,786,160</u></b>	<b><u>7,910,699</u></b>	<b>137.48 %</b>
Current liabilities	1,441,316	1,549,616	-6.99 %
Long-term debt outstanding	11,868,193	13,880,310	-14.50 %
Net pension liability	104,341,689	81,325,731	28.30 %
<b>Total liabilities</b>	<b><u>117,651,198</u></b>	<b><u>96,755,657</u></b>	<b>21.60 %</b>
<b>Deferred inflows of resources</b>	<b><u>2,802,452</u></b>	<b><u>11,949,248</u></b>	<b>-76.55 %</b>
<b>Net position:</b>			
Net investment in capital assets	81,326,641	81,658,233	-0.41 %
Restricted	5,316,812	4,794,095	10.90 %
Unrestricted	(76,351,422)	(76,858,105)	0.66 %
<b>Total net position</b>	<b><u>\$ 10,292,031</u></b>	<b><u>\$ 9,594,223</u></b>	<b>7.27 %</b>

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (76,351,422)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	<u>88,357,981</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 12,006,559</u>

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

- Decrease in net capital assets in the amount of \$2,451,733.
- The principal retirement of \$2,563,595 of long-term debt.

JACKSON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2016 and June 30, 2015 were \$83,333,451 and \$76,294,849, respectively. The total cost of all programs and services was \$82,635,643 for 2016 and \$75,081,107 for 2015.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2016 and June 30, 2015.

**Table 2  
Changes in Net Position**

	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 1,755,771	\$ 1,795,288	(2.20) %
Operating grants and contributions	8,706,759	7,992,566	8.94 %
General revenues:			
Property taxes	30,661,925	28,176,147	8.82 %
Grants and contributions not restricted	39,947,259	37,537,314	6.42 %
Investment earnings	73,560	44,680	64.64 %
Sixteenth section sources	602,314	479,696	25.56 %
Other	1,585,863	269,158	489.19 %
<b>Total revenues</b>	<b><u>83,333,451</u></b>	<b><u>76,294,849</u></b>	<b>9.23 %</b>
<b>Expenses:</b>			
Instruction	42,348,392	40,242,781	5.23 %
Support services	26,174,841	25,284,206	3.52 %
Non-instructional	3,679,887	3,678,145	0.05 %
Sixteenth section sources	43,635	25,516	71.01 %
Pension expense	10,087,922	5,507,875	83.15 %
Interest on long-term liabilities	300,966	342,584	(12.15) %
<b>Total expenses</b>	<b><u>82,635,643</u></b>	<b><u>75,081,107</u></b>	<b>10.06 %</b>
<b>Increase (Decrease) in net position</b>	<b><u>697,808</u></b>	<b><u>1,213,742</u></b>	<b>(42.51) %</b>
<b>Net Position, July 1, as previously reported</b>	<b><u>9,594,223</u></b>	<b><u>93,896,526</u></b>	<b>(89.78) %</b>
<b>Prior Period Adjustment</b>	<b><u>-</u></b>	<b><u>(85,516,045)</u></b>	<b>100.00 %</b>
<b>Net Position, July 1, as restated</b>	<b><u>9,594,223</u></b>	<b><u>8,380,481</u></b>	<b>14.48 %</b>
<b>Net Position, June 30</b>	<b><u>\$ 10,292,031</u></b>	<b><u>\$ 9,594,223</u></b>	<b>7.27 %</b>

**Governmental activities**

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

JACKSON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016

**Table 3**  
**Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2016</u>	<u>2015</u>	
Instruction	\$ 42,348,392	\$ 40,242,781	5.23 %
Support services	26,174,841	25,284,206	3.52 %
Non-instructional	3,679,887	3,678,145	0.05 %
Sixteenth section	43,635	25,516	71.01 %
Pension Expense	10,087,922	5,507,875	83.15 %
Interest on long-term liabilities	300,966	342,584	(12.15) %
<b>Total expenses</b>	<b><u>\$ 82,635,643</u></b>	<b><u>\$ 75,081,107</u></b>	<b>10.06 %</b>
	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2016</u>	<u>2015</u>	
Instruction	\$ (38,150,907)	\$ (36,282,567)	5.15 %
Support services	(23,624,721)	(23,267,441)	1.54 %
Non-instructional	35,038	132,730	(73.60) %
Sixteenth section	(43,635)	(25,516)	71.01 %
Pension Expense	(10,087,922)	(5,507,875)	83.15 %
Interest on long-term liabilities	(300,966)	(342,584)	(12.15) %
<b>Total net (expense) revenue</b>	<b><u>\$ (72,173,113)</u></b>	<b><u>\$ (65,293,253)</u></b>	<b>10.54 %</b>

- Net cost of governmental activities (\$72,173,113 for 2016 and \$65,293,253 for 2015) was financed by general revenue, which is primarily made up of property taxes (\$30,661,925 for 2016 and \$28,176,147 for 2015) and state and federal revenues (\$39,947,259 for 2016 and \$37,537,314 for 2015). In addition, there was \$602,314 and \$479,696 in Sixteenth Section sources for 2016 and 2015, respectively.
- Investment earnings amounted to \$73,560 for 2016 and \$44,680 for 2015.

### 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 \$18,640,414, an increase of \$3,025,341, which includes a decrease in inventory of \$16,746. \$8,900,290 or 48% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$9,740,124 or 52% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the

JACKSON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016

General Fund for the fiscal year was \$2,721,900. The fund balance of Other Governmental Funds showed an increase in the amount of \$328,121, which includes a decrease in reserve for inventory of \$16,746, due primarily to normal operations. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I fund	\$ 19,843
IDEA Part B Fund	\$ 55,792
Construction and Improvements Fund	\$ (100,315)

### 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.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2016, the District's total capital assets were \$132,432,483, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$410,669 from 2015. Total accumulated depreciation as of June 30, 2016, was \$41,418,296, and total depreciation expense for the year was \$2,994,527, resulting in total net capital assets of \$91,014,187.

**Table 4**  
**Capital Assets, Net of Accumulated Depreciation**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 343,261	\$ 343,261	0.00 %
Buildings	82,716,590	84,864,218	(2.53) %
Building improvements	3,631,163	4,221,359	(13.98) %
Improvements other than buildings	1,784,074	1,595,355	11.83 %
Mobile equipment	1,921,724	1,825,968	5.24 %
Furniture and equipment	617,375	535,949	15.19 %
Leased property under capital leases	-	79,810	(100.00) %
<b>Total</b>	<b>\$ 91,014,187</b>	<b>\$ 93,465,920</b>	<b>(2.62) %</b>

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

JACKSON COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016

**Debt Administration.** At June 30, 2016, the District had \$11,868,193 in outstanding long-term debt, of which \$930,590 is due within one year. The liability for compensated absences increased \$150,267 from the prior year.

**Table 5  
Outstanding Long-Term Debt**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ -	\$ 1,220,000	(100.00) %
Three mill notes payable	7,100,000	8,270,000	(14.15) %
Qualified school construction bonds payable	3,000,000	2,598,789	15.44 %
Obligations under energy efficiency leases	1,087,647	1,261,242	(13.76) %
Compensated absences payable	680,546	530,279	28.34 %
<b>Total</b>	<b><u>\$ 11,868,193</u></b>	<b><u>\$ 13,880,310</u></b>	<b>(14.50) %</b>

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

## CURRENT ISSUES

The Jackson County School District is financially stable. The 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 are 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.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS



**JACKSON COUNTY SCHOOL DISTRICT**

**Statement of Net Position**  
**June 30, 2016**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 14,403,570
Due from other governments	2,547,839
Prepaid items	1,135,770
Inventories	101,909
Restricted assets	2,756,246
Capital assets, non-depreciable:	
Land	343,261
Capital assets, net of accumulated depreciation:	
Buildings	82,716,590
Building improvements	3,631,163
Improvements other than buildings	1,784,074
Mobile equipment	1,921,724
Furniture and equipment	617,375
Total Assets	111,959,521
<b>Deferred Outflows of Resources</b>	
Deferred outflows - pensions	18,786,160
Total deferred outflows of resources	18,786,160
<b>Liabilities</b>	
Accounts payable and accrued liabilities	981,736
Unearned income	337,180
Interest payable on long-term liabilities	122,400
Long-term liabilities, due within one year:	
Capital related liabilities	750,000
Non-capital related liabilities	180,590
Long-term liabilities, due beyond one year:	
Capital related liabilities	9,350,000
Non-capital related liabilities	1,587,603
Net pension liability	104,341,689
Total Liabilities	117,651,198
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	2,802,452
Total deferred inflows of resources	2,802,452
<b>Net Position</b>	
Invested in capital assets, net of related debt	81,326,641
Restricted for:	
Expendable:	
School-based activities	2,722,338
Debt service	1,575,284
Forestry improvements	195,284
Unemployment benefits	164,330
Non-expendable:	
Sixteenth section	659,576
Unrestricted	(76,351,422)
Total Net Position	\$ 10,292,031

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

**JACKSON COUNTY SCHOOL DISTRICT**

**Statement of Activities**

**Exhibit B**

**For the Year Ended June 30, 2016**

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Instruction	\$ 42,348,392	\$ 937,194	\$ 3,260,291	\$ -		\$ (38,150,907)
Support services	26,174,841	-	2,550,120	-		(23,624,721)
Non-instructional	3,679,887	818,577	2,896,348	-		35,038
Sixteenth section	43,635	-	-	-		(43,635)
Pension expense	10,087,922	-	-	-		(10,087,922)
Interest on long-term liabilities	300,966	-	-	-		(300,966)
Total Governmental Activities	<u>\$ 82,635,643</u>	<u>\$ 1,755,771</u>	<u>\$ 8,706,759</u>	<u>\$ -</u>		<u>\$ (72,173,113)</u>

General Revenues:

Taxes:

General purpose levies 28,217,714

Debt purpose levies 2,444,211

Unrestricted grants and contributions:

State 38,758,437

Federal 1,188,822

Unrestricted investment earnings 73,560

Sixteenth section 602,314

Other 1,585,863

Total General Revenues 72,870,921

Change in Net Position 697,808

Net Position - Beginning, as originally reported 9,594,223

Prior period adjustment -

Net Position - Beginning, as restated 9,594,223

Net Position - Ending \$ 10,292,031

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

**JACKSON COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**Balance Sheet**  
**June 30, 2016**

**Exhibit C**

	Major Funds						Total Governmental Funds
	General Fund	Title I Fund	IDEA Part B Fund	Construction and Improvements Fund	Other Governmental Funds		
<b>Assets</b>							
Cash and cash equivalents	\$ 8,652,792	\$ 276,246	\$ -	\$ 2,814,536	\$ 4,400,176	\$	16,143,750
Cash with fiscal agents	-	-	-	-	1,016,066		1,016,066
Due from other governments	1,801,555	-	349,021	-	397,263		2,547,839
Due from other funds	513,075	-	-	-	-		513,075
Prepaid items	1,086,270	49,500	-	-	-		1,135,770
Inventories	-	-	-	-	101,909		101,909
Total assets	12,053,692	325,746	349,021	2,814,536	5,915,414		21,458,409
<b>Liabilities, Deferred Inflows and Fund Balances</b>							
<b>Liabilities:</b>							
Accounts payable and accrued liabilities	\$ 678,704	\$ 8,938	\$ 98,409	\$ 12,348	\$ 183,337	\$	981,736
Unearned income	-	316,808	-	-	20,372		337,180
Due to other funds	-	-	250,612	-	262,463		513,075
Total Liabilities	678,704	325,746	349,021	12,348	466,172		1,831,991
<b>Deferred Inflows of Resources</b>							
Deferred revenue	862,002	-	-	-	124,002		986,004
Total Deferred Inflows of Resources	862,002	-	-	-	124,002		986,004
<b>Fund Balances:</b>							
<b>Nonspendable:</b>							
Inventory	-	-	-	-	101,909		101,909
Prepaid items	1,086,270	-	-	-	-		1,086,270
Permanent fund principal	-	-	-	-	659,576		659,576
<b>Restricted:</b>							
Debt service	-	-	-	-	1,697,684		1,697,684
Capital projects	-	-	-	-	412,454		412,454
Grant activities	-	-	-	-	2,094,003		2,094,003
Forestry improvements	-	-	-	-	195,284		195,284
Unemployment benefits	-	-	-	-	164,330		164,330
<b>Assigned:</b>							
Activity funds	526,426	-	-	-	-		526,426
Construction and improvements	-	-	-	2,802,188	-		2,802,188
<b>Unassigned</b>	8,900,290	-	-	-	-		8,900,290
Total Fund Balances	10,512,986	-	-	2,802,188	5,325,240		18,640,414
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 12,053,692	\$ 325,746	\$ 349,021	\$ 2,814,536	\$ 5,915,414	\$	21,458,409

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

**JACKSON COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2016**

**Exhibit C-1**

**Total fund balances for governmental funds** \$ 18,640,414

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

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Land	\$	343,261	
Buildings		110,277,159	
Building improvements		5,322,008	
Improvements other than buildings		4,297,385	
Mobile equipment		8,792,200	
Furniture and equipment		3,400,470	
Accumulated depreciation		<u>(41,418,296)</u>	91,014,187

2. Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:

Net pension liability (104,341,689)

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

Deferred outflows of resources related to pensions		18,786,160	
Deferred inflows of resources related to pensions		<u>(2,802,452)</u>	(88,357,981)

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

Three mill notes payable		(7,100,000)	
Quality school construction bonds		(3,000,000)	
Energy efficiency lease		(1,087,647)	
Compensated absences		(680,546)	
Accrued interest payable		<u>(122,400)</u>	(11,990,593)

4. Revenues that are not available within 60 days are deferred in the governmental funds. However, those revenues are recognized when earned in the government-wide financial statements.

986,004

**Net position of governmental activities** \$ 10,292,031

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

**JACKSON COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2016**

**Exhibit D**

	Major Funds					Total Governmental Funds
	General Fund	Title I Fund	IDEA Part B Fund	Construction and Improvements Fund	Other Governmental Funds	
<b>Revenues:</b>						
Local sources	\$ 29,297,568	\$ -	\$ -	\$ 107,890	\$ 3,332,921	\$ 32,738,379
State sources	39,306,916	-	-	-	1,090,753	40,397,669
Federal sources	326,820	1,329,764	1,810,761	-	3,878,635	7,345,980
Sixteenth section	591,112	-	-	-	42,264	633,376
<b>Total Revenues</b>	<b>69,522,416</b>	<b>1,329,764</b>	<b>1,810,761</b>	<b>107,890</b>	<b>8,344,573</b>	<b>81,115,404</b>
<b>Expenditures:</b>						
Instruction	41,154,146	657,826	979,687	-	1,780,624	44,572,283
Support services	25,399,928	629,532	775,282	208,205	1,202,642	28,215,589
Noninstructional services	62,120	14,429	-	-	3,657,718	3,734,267
Sixteenth section	19,153	-	-	-	24,482	43,635
Debt service:						
Principal	-	-	-	-	2,563,595	2,563,595
Interest	-	-	-	-	250,501	250,501
Other	-	-	-	-	5,154	5,154
<b>Total Expenditures</b>	<b>66,635,347</b>	<b>1,301,787</b>	<b>1,754,969</b>	<b>208,205</b>	<b>9,484,716</b>	<b>79,385,024</b>
Excess (Deficiency) of Revenues over (under) Expenditures	2,887,069	27,977	55,792	(100,315)	(1,140,143)	1,730,380
<b>Other Financing Sources (Uses):</b>						
Transfer from QSCB debt service agent	-	-	-	-	395,941	395,941
Transfer to QSCB escrow agent	-	-	-	-	(395,941)	(395,941)
Operating transfers in	3,299	-	-	-	1,489,616	1,492,915
Other financing sources	1,313,014	-	-	-	-	1,313,014
Operating transfers out	(1,481,482)	(8,134)	-	-	(3,299)	(1,492,915)
Other financing uses	-	-	-	-	(1,307)	(1,307)
<b>Total Other Financing Sources (Uses)</b>	<b>(165,169)</b>	<b>(8,134)</b>	<b>-</b>	<b>-</b>	<b>1,485,010</b>	<b>1,311,707</b>
<b>Net Change in Fund Balances</b>	<b>2,721,900</b>	<b>19,843</b>	<b>55,792</b>	<b>(100,315)</b>	<b>344,867</b>	<b>3,042,087</b>
<b>Fund Balances:</b>						
July 1, 2015	7,791,086	(19,843)	(55,792)	2,902,503	4,997,119	15,615,073
Increase in reserve for inventory	-	-	-	-	(16,746)	(16,746)
<b>June 30, 2016</b>	<b>\$ 10,512,986</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,802,188</b>	<b>\$ 5,325,240</b>	<b>\$ 18,640,414</b>

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

**JACKSON COUNTY SCHOOL DISTRICT**  
**Governmental Funds**

**Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2016**

**Exhibit D-1**

<b>Net change in fund balances - total governmental funds</b>	<b>\$</b>	<b>3,042,087</b>
Amounts reported for governmental activities in the statement of activities are different because:		
1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	\$ 546,823	
Depreciation expense	<u>(2,994,527)</u>	(2,447,704)
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold.		
		(4,029)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
Payments of debt principal	2,563,595	
Accrued interest payable	<u>(45,311)</u>	2,518,284
4. The statement of activities reports pension expense and other activity related to net pension liability:		
Pension expense	(10,087,922)	
Contributions made after the measurement date	<u>6,933,736</u>	(3,154,186)
5. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences	(150,267)	
Change in inventory reserve	<u>(16,746)</u>	(167,013)
6. Revenues that are not available within 60 days are deferred in the governmental funds. However, those revenues are recognized when earned in the government-wide financial statements:		
Revenues deferred in fiscal year 2015	(75,635)	
Revenues deferred in fiscal year 2016	<u>986,004</u>	910,369
<b>Change in net position of governmental activities</b>		<u><u>\$ 697,808</u></u>

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

JACKSON COUNTY SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities  
June 30, 2016

Exhibit E

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 4,413,794
Prepaid items	88,259
Total Assets	<u>\$ 4,502,053</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 4,244,261
Due to student clubs	257,792
Total Liabilities	<u>\$ 4,502,053</u>

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

# JACKSON COUNTY SCHOOL DISTRICT

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

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

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

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

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

For financial reporting purposes, Jackson County School District has included all funds and organizations. The 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.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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



# JACKSON COUNTY SCHOOL DISTRICT

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

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 the school district's federal reimbursable fund that serves to fund remedial mathematics and reading services to low-income, program eligible students.

IDEA Part B Fund – This fund provides revenues for children with disabilities with a free and appropriate education.

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

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

The District's fiduciary funds include the following:

Accounts Payable Clearing Fund – This fund is used to report the accounts payable resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

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

Student Club Fund Agency Funds – These funds are used to report student club resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Additionally, the school district reports the following fund types:

### GOVERNMENTAL FUNDS

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

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

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

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

JACKSON COUNTY SCHOOL DISTRICT

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

FIDUCIARY FUNDS

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.

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 is 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.

JACKSON COUNTY SCHOOL DISTRICT

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

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, 2003*, issued by the U.S. Department of Education.

**D. Encumbrances**

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

**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.

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.

JACKSON COUNTY SCHOOL DISTRICT

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

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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements.

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16<sup>th</sup> 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:

	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.

JACKSON COUNTY SCHOOL DISTRICT

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The district reports \$18,786,160 of deferred outflows related to its pension plan.

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 periods and so will not be recognized as an inflow of resources (revenue) until that time. The district reports \$2,802,452 of deferred inflows related to its pension plan.

See Note 12 for further details.

8. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The 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.

JACKSON COUNTY SCHOOL DISTRICT

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

11. Fund Balances

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

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

*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 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.

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

JACKSON COUNTY SCHOOL DISTRICT

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

**Note 2 – Cash and Cash Equivalents and Cash with Fiscal Agents**

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

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 \$16,143,750 and \$4,413,794, 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.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$1,016,066.

**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**

Receivable Fund	Payable Fund	Amount
General Fund	IDEA Part B Fund	\$ 250,612
	Other governmental funds	262,463
Total		<u>\$ 513,075</u>

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

JACKSON COUNTY SCHOOL DISTRICT

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

**B. Inter-fund Transfers**

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 1,481,482
Title I Fund	Other governmental funds	8,134
Other governmental funds	General Fund	<u>3,299</u>
Total		<u>\$ 1,492,915</u>

The primary purpose of the interfund transfers out of the general fund and into the other governmental funds was to finance basic operations of the district that are not directly funded. The primary reason for the transfer out of the other governmental funds is the indirect cost allocation from the general fund.

**Note 4 – Restricted Assets**

The restricted assets represents the cash, totaling \$659,576, 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.

In addition, the restricted assets represent the cash balance, totaling \$443,618, of unspent three mill note proceeds.

In addition, the restricted assets represent the cash with fiscal agents balance, totaling \$1,016,066, of the QSCB Sinking Fund.

Also, the restricted assets represent the cash balance, totaling \$636,986, of the debt service funds, whose resources are restricted only for debt service.



JACKSON COUNTY SCHOOL DISTRICT

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

**Note 5 – Capital Assets**

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

	Balance 7/1/2015	Increases	Decreases	Adjustments	Balance 6/30/2016
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 343,261	\$ -	\$ -	\$ -	\$ 343,261
Total non-depreciable capital assets	343,261	-	-	-	343,261
<u>Depreciable capital assets:</u>					
Buildings	110,277,159	-	-	-	110,277,159
Building improvements	6,141,653	-	-	(819,645)	5,322,008
Improvements other than buildings	3,477,740	-	-	819,645	4,297,385
Mobile equipment	7,727,016	276,474	(9,391)	798,101	8,792,200
Furniture and equipment	3,256,884	270,349	(126,763)	-	3,400,470
Leased property under capital leases	798,101	-	-	(798,101)	-
Total depreciable capital assets	131,678,553	546,823	(136,154)	-	132,089,222
<u>Less accumulated depreciation for:</u>					
Buildings	25,412,941	2,147,628	-	-	27,560,569
Building improvements	1,920,294	252,676	-	(482,125)	1,690,845
Improvements other than buildings	1,882,385	148,801	-	482,125	2,513,311
Mobile equipment	5,901,048	258,381	(7,244)	718,291	6,870,476
Furniture and equipment	2,720,935	187,041	(124,881)	-	2,783,095
Leased property under capital leases	718,291	-	-	(718,291)	-
Total accumulated depreciation	38,555,894	2,994,527	(132,125)	-	41,418,296
Total depreciable capital assets, net	93,122,659	(2,447,704)	(4,029)	-	90,670,926
Governmental activities capital assets, net	\$ 93,465,920	\$ (2,447,704)	\$ (4,029)	\$ -	\$ 91,014,187

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 2,547,560
Support services	377,187
Non-instructional	69,780
Total depreciation expense - Governmental activities	\$ 2,994,527

JACKSON COUNTY SCHOOL DISTRICT

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

**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2015	Additions	Reductions	Adjustments	Balance 6/30/2016	Amounts due within one year
A. General obligation bonds payable	\$ 1,220,000	\$ -	(1,220,000)	\$ -	\$ -	-
B. Three mill notes payable	8,270,000	-	(1,170,000)	-	7,100,000	750,000
C. Qualified school construction bonds payable	2,598,789	-	-	401,211	3,000,000	-
D. Obligations under energy efficiency leases	1,261,242	-	(173,595)	-	1,087,647	180,590
E. Compensated absences payable	530,279	150,267	-	-	680,546	-
Total	\$ 13,880,310	\$ 150,267	\$ (2,563,595)	\$ 401,211	\$ 11,868,193	\$ 930,590

An adjustment was made to restate the face value of the qualified school construction bonds. See Note 11 for further details.

**A. General obligation bonds payable**

This debt was retired during the year.

**B. Three mill notes payable.**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill ten year note, series 2012	2.210%	10/25/2012	10/1/2023	\$ 8,800,000	\$ 7,100,000
Total				\$ 8,800,000	\$ 7,100,000

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 750,000	\$ 156,910	\$ 906,910
2018	775,000	140,335	915,335
2019	785,000	123,208	908,208
2020	800,000	105,859	905,859
2021	825,000	88,179	913,179
2022-2024	3,165,000	146,856	3,311,856
Total	\$ 7,100,000	\$ 761,347	\$ 7,861,347

This debt will be retired from the Bond Debt Service Fund.

JACKSON COUNTY SCHOOL DISTRICT

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

**C. Qualified school construction bonds payable**

As more fully explained in Note 7, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bonds payable, Series 2011	0.00%	12/20/2010	12/15/2020	\$ 3,000,000	\$ 3,000,000
Total				<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>

**D. Obligation under energy efficiency lease.**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Energy Efficiency Lease	3.990%	5/12/2007	11/15/2021	\$ 2,490,000	\$ 1,087,647
Total				<u>\$ 2,490,000</u>	<u>\$ 1,087,647</u>

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

Year Ending June 30	Principal	Interest	Total
2017	\$ 180,590	\$ 41,614	\$ 222,204
2018	187,868	34,336	222,204
2019	195,438	26,766	222,204
2020	203,314	18,890	222,204
2021	211,507	10,697	222,204
2022	108,930	2,173	111,103
Total	<u>\$ 1,087,647</u>	<u>\$ 134,476</u>	<u>\$ 1,222,123</u>

This debt will be retired from the Obligation Under Energy Efficiency Debt Service Fund.

An energy efficiency lease agreement dated May 12, 2007 was executed by and between the district, the lessee, and Hancock Bank, the lessor.

The agreement authorized the borrowing of \$2,490,000 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the district maintenance fund.

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

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

JACKSON COUNTY SCHOOL DISTRICT

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

**E. Compensated absences payable**

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

**Note 7– Qualified School Construction Bonds**

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs.

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit in the sinking fund at June 30, 2016 was \$1,016,066. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2017	\$ 396,000
2018	397,000
2019	397,000
2020	397,000
2021	397,000
Total	<u>\$ 1,984,000</u>

**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.

*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

# JACKSON COUNTY SCHOOL DISTRICT

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

with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2016 was 15.75% of annual covered payroll. 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, 2016, 2015 and 2014 were \$6,933,736, \$6,642,042 and \$6,405,523, respectively, which equaled the required contributions for each year.

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

At June 30, 2016, the school district reported a liability of \$104,341,689 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2016 net pension liability was .675 percent, which was based on a measurement date of June 30, 2015. This was a .005 percent increase in proportionate share used to calculate the June 30, 2015 net pension liability, which was based on a measurement date of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$10,087,922. At June 30, 2016 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

JACKSON COUNTY SCHOOL DISTRICT

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,424,134	\$ -
Net difference between projected and actual earnings on pension plan investments	-	2,802,452
Changes of assumptions	8,988,678	-
Changes in proportion and differences between District contributions and proportionate share of contributions	439,612	-
District contributions subsequent to the measurement date	6,933,736	-
<b>Total</b>	<b>\$ <u>18,786,160</u> \$</b>	<b>\$ <u>2,802,452</u></b>

\$6,933,736 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ 3,073,487
2018	2,972,341
2019	1,477,872
2020	<u>1,526,272</u>
<b>Total</b>	<b>\$ <u>9,049,972</u></b>

*Actuarial assumptions.* The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

JACKSON COUNTY SCHOOL DISTRICT

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

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
U.S. Broad	34	%	5.20	%
International Equity	19		5.00	
Emerging Markets Equity	8		5.45	
Fixed Income	20		0.25	
Real Assets	10		4.00	
Private Equity	8		6.15	
Cash	1		(0.50)	
Total	<u>100</u>	<u>%</u>		

*Discount rate.* The discount rate used to measure the total pension liability was 7.75 percent, a decrease of 0.25 percentage points since the prior measurement date. 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 rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 137,531,905	\$ 104,341,689	\$ 76,800,015

*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 – 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.

JACKSON COUNTY SCHOOL DISTRICT

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

**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. Except as described below, 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.

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 71 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

**Note 11 – Prior Period Adjustment**

A summary of significant reclassification adjustments is as follows:

Exhibit B - Statement of Activities

Explanation	Amount
1. To restate the face value of the qualified school construction bonds resulting from changes made in a prior period:	
Decrease in accrued interest payable	\$ 240,725
Decrease in deferred credit on bonds	160,486
Increase in qualified school construction bonds payable	(401,211)
Total	<u>\$ -</u>

**Note 12 – Effect of Deferred Amounts on Net Position**

The unrestricted net position amount of \$(76,351,422) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$18,786,160 balance of the deferred outflow of resources at June 30, 2016 will be recognized as expenses and decrease unrestricted net position over the next 3 years.

The unrestricted net position amount of \$(76,351,422) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$2,802,452 balance of the deferred inflow of resources at June 30, 2016 will be recognized as revenue and increase unrestricted net position over the next 4 years.



JACKSON COUNTY SCHOOL DISTRICT

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

**Note 13 – 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
2017	\$ 377,749
2018	374,621
2019	366,680
2020	353,631
2021	350,355
2022-2026	1,751,775
2027-2031	1,707,920
Thereafter	2,937,385
Total	<u>\$ 8,220,116</u>

**Note 14 - Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Jackson County School District evaluated the activity of the district through January 9, 2017, (the date the financial statements were available to be issued), and determined that the no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**JACKSON COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 28,880,697	\$ 29,297,568	\$ 29,297,568	\$ 416,871	\$ -
State sources	39,266,964	39,421,734	39,306,916	154,770	(114,818)
Federal sources	1,209,698	1,204,616	326,820	(5,082)	(877,796)
Sixteenth section sources	-	415,100	591,112	415,100	176,012
Total Revenues	<u>69,357,359</u>	<u>70,339,018</u>	<u>69,522,416</u>	<u>981,659</u>	<u>(816,602)</u>
<b>Expenditures:</b>					
Instruction	40,893,565	41,154,147	41,154,146	(260,582)	1
Support services	27,074,786	25,399,926	25,399,928	1,674,860	(2)
Noninstructional services	93,532	62,120	62,120	31,412	-
Sixteenth section	135,300	19,152	19,153	116,148	(1)
Total Expenditures	<u>68,197,183</u>	<u>66,635,345</u>	<u>66,635,347</u>	<u>1,561,838</u>	<u>(2)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>1,160,176</u>	<u>3,703,673</u>	<u>2,887,069</u>	<u>2,543,497</u>	<u>(816,604)</u>
<b>Other Financing Sources (Uses):</b>					
Insurance recovery	-	514	-	514	(514)
Operating transfers in	8,912,925	8,966,921	3,299	53,996	(8,963,622)
Other financing sources	-	1,312,500	1,313,014	1,312,500	514
Operating transfers out	(9,963,206)	(10,036,109)	(1,481,482)	(72,903)	8,554,627
Other financing uses	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>(1,050,281)</u>	<u>243,826</u>	<u>(165,169)</u>	<u>1,294,107</u>	<u>(408,995)</u>
Net Change in Fund Balances	109,895	3,947,499	2,721,900	3,837,604	(1,225,599)
Fund Balances:					
July 1, 2015	<u>7,791,086</u>	<u>7,791,086</u>	<u>7,791,086</u>	-	-
June 30, 2016	<u>\$ 7,900,981</u>	<u>\$ 11,738,585</u>	<u>\$ 10,512,986</u>	<u>\$ 3,837,604</u>	<u>\$ (1,225,599)</u>

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

**JACKSON COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**Title I Fund**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 1,361,710	\$ 1,309,921	\$ 1,329,764	\$ (51,789)	\$ 19,843
Total Revenues	1,361,710	1,309,921	1,329,764	(51,789)	19,843
<b>Expenditures:</b>					
Instruction	546,638	657,826	657,826	(111,188)	-
Support services	791,652	629,532	629,532	162,120	-
Noninstructional services	22,061	14,429	14,429	7,632	-
Total Expenditures	1,360,351	1,301,787	1,301,787	58,564	-
Excess (Deficiency) of Revenues over (under) Expenditures	1,359	8,134	27,977	6,775	19,843
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(1,359)	(8,134)	(8,134)	(6,775)	-
Total Other Financing Sources (Uses)	(1,359)	(8,134)	(8,134)	(6,775)	-
Net Change in Fund Balances	-	-	19,843	-	19,843
Fund Balances:					
July 1, 2015	-	-	(19,843)	-	(19,843)
June 30, 2016	\$ -	\$ -	\$ -	\$ -	\$ -

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

**JACKSON COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**IDEA Part B Fund**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 1,844,015	\$ 1,754,969	\$ 1,810,761	\$ (89,046)	\$ 55,792
Total Revenues	1,844,015	1,754,969	1,810,761	(89,046)	55,792
<b>Expenditures:</b>					
Instruction	574,851	979,687	979,687	(404,836)	-
Support services	1,269,164	775,282	775,282	493,882	-
Total Expenditures	1,844,015	1,754,969	1,754,969	89,046	-
Excess (Deficiency) of Revenues over (under) Expenditures	-	-	55,792	-	55,792
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	-	-	55,792	-	55,792
Fund Balances:					
July 1, 2015	-	-	(55,792)	-	(55,792)
June 30, 2016	\$ -	\$ -	\$ -	\$ -	\$ -

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

**JACKSON COUNTY SCHOOL DISTRICT**

**Required Supplementary Information**

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

**PERS**

**Last 10 Fiscal Years\***

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	\$ 104,341,689	\$ 81,325,731
District's proportionate share of the net pension liability	0.675%	0.670%
District's covered-employee payroll	42,171,695	40,669,987
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	247.42%	199.96%
Plan fiduciary net position as a percentage of the total pension liability	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.

**JACKSON COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**

**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**PERS**  
**Last 10 Fiscal Years**

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 6,933,736	\$ 6,642,042
Contributions in relation to the contractually required contribution	6,933,736	6,642,042
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>
District's covered-employee payroll	44,023,721	42,171,695
Contributions as a percentage of covered-employee payroll	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.

JACKSON COUNTY SCHOOL DISTRICT

Notes to the Required Supplementary Information  
For the Year Ended June 30, 2016

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(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 benefit terms

None.

(2) Changes of assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.



SUPPLEMENTARY INFORMATION

**JACKSON COUNTY SCHOOL DISTRICT**

**Supplementary Information**

**Schedule of Expenditures of Federal Awards**

**For the Year Ended June 30, 2016**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 743,544
National school lunch program	10.555	2,661,796
Total child nutrition cluster		3,405,340
Total passed-through Mississippi Department of Education		3,405,340
Passed-through Jackson County:		
Schools and roads - grants to states	10.665	52,141
Total		52,141
<b>Total U.S. Department of Agriculture</b>		<b>3,457,481</b>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	862,002
<b>Total Federal Communications Commission</b>		<b>862,002</b>
<b><u>U.S. Department of Defense</u></b>		
Direct program:		
Reserve officers' training corps	12.xxx	63,380
<b>Total U.S. Department of Defense</b>		<b>63,380</b>
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Rehabilitation Services:		
Rehabilitation services - vocational rehabilitation grants to states	84.126	41,777
Total passed-through Mississippi Department of Rehabilitation Services		41,777
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	1,309,921
Career and technical education - basic grants to states	84.048	61,632
Improving teacher quality-State Grants	84.367	387,208
Subtotal		1,758,761
Special education cluster:		
Special education - grants to states	84.027	1,754,969
Special education - preschool grants	84.173	74,105
Total special education cluster		1,829,074
Total passed-through Mississippi Department of Education		3,587,835
<b>Total U.S. Department of Education</b>		<b>3,629,612</b>
<b><u>U.S. Department of Health and Human Services</u></b>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	48,239
Total passed-through Mississippi Department of Education		48,239
<b>Total U.S. Department of Health and Human Services</b>		<b>48,239</b>
Total for All Federal Awards		<b>\$ 8,060,714</b>

**NOTES TO SCHEDULE**

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.
4. Donated commodities of \$306,286 are included in the National School Lunch Program.

**JACKSON COUNTY SCHOOL DISTRICT**

**Supplementary Information**

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
For the Year Ended June 30, 2016**

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 59,640,342	47,134,210	1,924,882	4,315,929	6,265,321
Other	<u>19,744,682</u>	<u>6,465,962</u>	<u>425,803</u>	<u>102,165</u>	<u>12,750,752</u>
<b>Total</b>	<b>\$ <u>79,385,024</u></b>	<b><u>53,600,172</u></b>	<b><u>2,350,685</u></b>	<b><u>4,418,094</u></b>	<b><u>19,016,073</u></b>
Total number of students *	<u>8,650</u>				
Cost per student	<b>\$ <u>9,178</u></b>	<b><u>6,197</u></b>	<b><u>272</u></b>	<b><u>511</u></b>	<b><u>2,198</u></b>

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

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

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

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

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

\* 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

**JACKSON COUNTY SCHOOL DISTRICT**

**Other Information**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**General Fund**

**Last Four Years**

**UNAUDITED**

	2016	2015*	2014*	2013*
<b>Revenues:</b>				
Local sources	\$ 29,297,568	\$ 26,888,103	\$ 23,410,799	\$ 22,676,757
State sources	39,306,916	37,907,027	38,415,231	36,941,472
Federal sources	326,820	232,315	269,206	307,123
Sixteenth section sources	591,112	475,834	-	392,581
<b>Total Revenues</b>	<b>69,522,416</b>	<b>65,503,279</b>	<b>62,095,236</b>	<b>60,317,933</b>
<b>Expenditures:</b>				
Instruction	41,154,146	39,134,584	36,701,672	36,038,310
Support services	25,399,928	24,220,037	23,241,707	22,422,898
Noninstructional services	62,120	77,998	112,896	241,899
Sixteenth section	19,153	7,979	-	5,250
<b>Total Expenditures</b>	<b>66,635,347</b>	<b>63,440,598</b>	<b>60,056,275</b>	<b>58,708,357</b>
Excess (Deficiency) of Revenues over (under) Expenditures	2,887,069	2,062,681	2,038,961	1,609,576
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	-	8,148	27,131	6,304
Operating transfers in	3,299	3,861	333,767	172,091
Other financing sources	1,313,014	14,269	-	12,698
Operating transfers out	(1,481,482)	(1,441,969)	(1,643,727)	(938,885)
<b>Total Other Financing Sources (Uses)</b>	<b>(165,169)</b>	<b>(1,415,691)</b>	<b>(1,282,829)</b>	<b>(747,792)</b>
<b>Net Change in Fund Balances</b>	<b>2,721,900</b>	<b>646,990</b>	<b>756,132</b>	<b>861,784</b>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	7,791,086	7,101,240	6,989,691	6,127,907
Prior period adjustments	-	-	(644,583)	-
Fund reclassification	-	42,856	-	-
Beginning of period, as restated	7,791,086	7,144,096	6,345,108	6,127,907
<b>End of Period</b>	<b>\$ 10,512,986</b>	<b>\$ 7,791,086</b>	<b>\$ 7,101,240</b>	<b>\$ 6,989,691</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**JACKSON COUNTY SCHOOL DISTRICT**

**Other Information**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**All Governmental Funds**

**Last Four Years**

**UNAUDITED**

	2016	2015*	2014*	2013*
<b>Revenues:</b>				
Local sources	\$ 32,738,379	\$ 30,177,762	\$ 26,770,524	\$ 26,128,091
State sources	40,397,669	38,925,238	39,288,571	38,356,555
Federal sources	7,345,980	7,380,822	6,688,551	6,763,900
Sixteenth section sources	633,376	499,626	368,351	416,044
<b>Total Revenues</b>	<b>81,115,404</b>	<b>76,983,448</b>	<b>73,115,997</b>	<b>71,664,590</b>
<b>Expenditures:</b>				
Instruction	44,572,283	42,436,887	40,130,381	39,611,764
Support services	28,215,589	26,974,575	25,790,990	24,755,187
Noninstructional services	3,734,267	3,720,286	3,943,124	3,899,783
Sixteenth section	43,635	25,516	19,802	54,899
Facilities acquisition and construction	-	449,475	6,843,559	4,928,840
Debt service:				
Principal	2,563,595	1,841,870	2,251,112	1,703,118
Interest	250,501	311,616	377,336	258,434
Other	5,154	1,800	3,600	3,600
<b>Total Expenditures</b>	<b>79,385,024</b>	<b>75,762,025</b>	<b>79,359,904</b>	<b>75,215,625</b>
Excess (Deficiency) of Revenues over (under) Expenditures	1,730,380	1,221,423	(6,243,907)	(3,551,035)
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	-	445,000	-	8,800,000
Insurance recovery	-	8,148	27,131	6,304
Transfer from QSCB debt service agent	395,941	394,978	74,980	-
Payment to QSCB bond escrow agent	(395,941)	(394,978)	(74,980)	-
Operating transfers in	1,492,915	1,485,172	2,016,456	1,148,575
Other financing sources	1,313,014	14,269	-	12,698
Operating transfers out	(1,492,915)	(1,485,172)	(2,016,456)	(1,148,575)
Other financing uses	(1,307)	(144)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>1,311,707</b>	<b>467,273</b>	<b>27,131</b>	<b>8,819,002</b>
<b>Net Change in Fund Balances</b>	<b>3,042,087</b>	<b>1,688,696</b>	<b>(6,216,776)</b>	<b>5,267,967</b>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	15,615,073	13,954,113	20,847,246	15,508,090
Prior period adjustments	-	-	(644,583)	-
Beginning of period, as restated	15,615,073	13,954,113	20,202,663	15,508,090
Increase (Decrease) in reserve for inventory	(16,746)	(27,736)	(31,774)	71,189
<b>End of Period</b>	<b>\$ 18,640,414</b>	<b>\$ 15,615,073</b>	<b>\$ 13,954,113</b>	<b>\$ 20,847,246</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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

Superintendent and School Board  
Jackson County School District  
Vanceleave, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson County School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Jackson County School District's basic financial statements, and have issued our report thereon dated January 9, 2017.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Jackson County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not



express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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.

Cunningham CPAs, PLLC

Belzoni, Mississippi

January 9, 2017

**CUNNINGHAM CPAs, PLLC**  
Certified Public Accountants & Consultants

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

Superintendent and School Board  
Jackson County School District  
Vanceleave, Mississippi

**Report on Compliance for Each Major Federal Program**

We have audited the Jackson County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Jackson County School District's major federal programs for the year ended June 30, 2016. Jackson County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, the Jackson County School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

## Report on Internal Control over Compliance

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

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

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

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

Cunningham CPAs, PLLC

Belzoni, Mississippi

January 9, 2017

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

**CUNNINGHAM CPAs, PLLC**  
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INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board  
Jackson County School District  
Vanceleave, Mississippi

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson County School District as of and for the year ended June 30, 2016, which collectively comprise Jackson County School District's basic financial statements and have issued our report thereon dated January 9, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported no classroom supply funds carried over from previous years.

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

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

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

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

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

Cunningham CPAs, PLLC

Belzoni, Mississippi

January 9, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JACKSON COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2016

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:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027	Special Education – Grants to States
84.173	Special Education – Preschool Grants
32.xxx	The school and libraries program of the universal service fund.

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



JACKSON COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2016

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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