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**JACKSON PUBLIC SCHOOL DISTRICT**

Audited Financial Statements  
For the Year Ended June 30, 2016

# JACKSON PUBLIC SCHOOL DISTRICT

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**INDEPENDENT AUDITORS' REPORT**



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## **INDEPENDENT AUDITORS' REPORT**

Superintendent and School Board  
Jackson Public School District  
Jackson, Mississippi

### **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 Public School District (the School District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the 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.

### ***Auditors' 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 auditors' 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.

## **INDEPENDENT AUDITORS' REPORT**

### **CONTINUED**

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

#### ***Opinion***

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 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 School District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 6 through 15 and 60 through 62, 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 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.



**INDEPENDENT AUDITORS' REPORT**  
**CONTINUED**

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 March 10, 2017, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

  
**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANT**  
Jackson, Mississippi

March 10, 2017

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

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The following discussion and analysis of Jackson Public 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 \$8,165,711, including a prior period adjustment of (\$801,369), which represents a 3% increase from fiscal year 2015. Total net position for 2015 decreased \$301,080,010, including a prior period adjustment of (\$313,568,898) due primarily to the recording of the net pension liability, which represents an 806% decrease from fiscal year 2014.
- General revenues amounted to \$229,559,132 and \$224,550,863, or 79% and 80% 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 \$61,639,440, or 21% of total revenues for 2016, and \$56,625,661, or 20% of total revenues for 2015.
- The School District had \$282,231,492 and \$268,687,636 in expenses for fiscal years 2016 and 2015; only \$61,639,440 for 2016 and \$56,625,661 for 2015 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$229,559,132 for 2016 and \$224,550,863 for 2015 were adequate to provide for these programs.
- Among major funds, the General Fund had \$207,208,339 in revenues and \$198,958,125 in expenditures for 2016, and \$203,060,481 in revenues and \$197,857,666 in expenditures in 2015. The General Fund's fund balance increased by \$6,279,918 from 2015 to 2016, including an increase in inventory of \$19,505, and increased by \$1,159,857 from 2014 to 2015, including a fund reclassification of \$324,223, a prior period adjustment of (\$969), and an increase in inventory of \$11,077.
- Capital assets, net of accumulated depreciation, increased by \$2,893,595 for 2016 and decreased by \$3,368,026 for 2015. The increase for 2016 was due primarily to the ongoing construction of the Northwest Middle School as well as the purchase of various items of mobile equipment and furniture and equipment.
- Long-term debt, excluding bond premium, increased by \$1,297,714 for 2016 and decreased by \$12,876,784 for 2015. The increase for 2016 was due primarily to the issuance of special obligation bonds to refund certain general and limited obligation bonds and three mill notes payable. The School District also received proceeds from the issuance of qualified school construction bonds during the fiscal year. The liability for compensated absences decreased by \$114,907 for 2016 and increased by \$178,120 for 2015.



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

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## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

### **Government-wide Financial Statements**

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

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

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

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

### **Fund Financial Statements**

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

**Governmental funds** – Most of the School District's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The



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

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approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the School District's near-term financing requirements.

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

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

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

#### **Reconciliation of Government-wide and Fund Financial Statements**

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

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

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

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

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

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

**Notes to the financial statements**

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

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, Schedule of the School District's Proportionate Share of the Pension Liability, and Schedule of District Contributions as required supplementary information. The School District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund 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 School District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$255,558,822 as of June 30, 2016.

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

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

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

**Table 1**

**Condensed Statement of Net Position**

	<b>June 30, 2016</b>	<b>June 30, 2015</b>	<b>Percentage Change</b>
Current assets	\$ 60,048,602	\$ 44,352,494	35.39 %
Restricted assets	11,456,253	3,735,349	206.70 %
Capital assets, net	195,337,379	192,443,784	1.50 %
<b>Total assets</b>	<b><u>266,842,234</u></b>	<b><u>240,531,627</u></b>	<b>10.94 %</b>
 <b>Deferred outflows of resources</b>	 <b><u>85,649,721</u></b>	 <b><u>37,394,172</u></b>	 <b>129.05 %</b>
Current liabilities	17,516,605	16,560,489	5.77 %
Long-term debt outstanding	209,417,144	192,263,802	8.92 %
Net pension liability	364,433,367	280,432,367	29.95 %
<b>Total liabilities</b>	<b><u>591,367,116</u></b>	<b><u>489,256,658</u></b>	<b>20.87 %</b>
 <b>Deferred inflows of resources</b>	 <b><u>16,683,661</u></b>	 <b><u>52,393,674</u></b>	 <b>(68.16) %</b>
 <b>Net position:</b>			
Net investment in capital assets	48,153,202	48,013,441	0.29 %
Restricted	19,761,667	13,339,349	48.15 %
Unrestricted	(323,473,691)	(325,077,323)	0.49 %
<b>Total net position</b>	<b><u>\$ (255,558,822)</u></b>	<b><u>\$ (263,724,533)</u></b>	<b>3.10 %</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)	\$ (323,473,691)
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>313,577,922</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ (9,895,769)</u>

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

- Increase in net capital assets in the amount of \$2,893,595.
- The issuance of \$118,070,000 of special obligation bonds, in which the proceeds were used to refund \$104,735,000 of certain general obligation bonds, \$6,425,000 of limited obligation bonds, and \$13,540,000 of certain three mill notes.

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

- Proceeds from the issuance of qualified school construction bonds in the amount of \$15,400,000.
- The principal retirement of \$7,357,379 of long-term debt.
- Recognition of the net pension liability in the amount of \$364,433,367.

**Changes in net position**

The School District's total revenues for the fiscal years ended June 30, 2016 and June 30, 2015 were \$291,198,572 and \$281,176,524, respectively. The total cost of all programs and services was \$282,231,492 for 2016 and \$268,687,636 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**

	Year Ended June 30, 2016	Year Ended June 30, 2015	Percentage Change
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 8,055,238	\$ 3,087,639	160.89 %
Operating grants and contributions	53,492,930	53,288,022	0.38 %
Capital Grants and Contributions	91,272	250,000	(63.49) %
General revenues:			
Property taxes	92,465,330	92,011,086	0.49 %
Grants and contributions not restricted	134,304,454	130,048,703	3.27 %
Investment earnings	18,961	7,653	147.76 %
Sixteenth section sources	1,378,780	1,343,944	2.59 %
Other	1,391,607	1,139,477	22.13 %
<b>Total revenues</b>	<b>291,198,572</b>	<b>281,176,524</b>	<b>3.56 %</b>
<b>Expenses:</b>			
Instruction	127,378,865	126,149,693	0.97 %
Support services	94,536,686	99,160,848	(4.66) %
Non-instructional	19,284,119	18,842,243	2.35 %
Sixteenth section	77,224	94,271	(18.08) %
Pension expense	32,083,182	14,768,514	117.24 %
Interest on long-term liabilities	8,871,416	9,672,067	(8.28) %
<b>Total expenses</b>	<b>282,231,492</b>	<b>268,687,636</b>	<b>5.04 %</b>
<b>Increase (Decrease) in net position</b>	<b>8,967,080</b>	<b>12,488,888</b>	<b>(28.20) %</b>
<b>Net Position, July 1, as previously reported</b>	<b>(263,724,533)</b>	<b>37,355,477</b>	<b>(805.99) %</b>
<b>Prior Period Adjustment</b>	<b>(801,369)</b>	<b>(313,568,898)</b>	<b>99.74 %</b>
<b>Net Position, July 1, as restated</b>	<b>(264,525,902)</b>	<b>(276,213,421)</b>	<b>4.23 %</b>
<b>Net Position, June 30</b>	<b>\$ (255,558,822)</b>	<b>\$ (263,724,533)</b>	<b>3.10 %</b>



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

**Governmental activities**

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

**Table 3  
Net Cost of Governmental Activities**

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2016</b>	<b>2015</b>	
Instruction	\$ 127,378,865	\$ 126,149,693	0.97 %
Support services	94,536,686	99,160,848	(4.66) %
Non-instructional	19,284,119	18,842,243	2.35 %
Sixteenth section	77,224	94,271	(18.08) %
Pension expense	32,083,182	14,768,514	117.24 %
Interest on long-term liabilities	8,871,416	9,672,067	(8.28) %
<b>Total expenses</b>	<b>\$ 282,231,492</b>	<b>\$ 268,687,636</b>	<b>5.04 %</b>

  

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2016</b>	<b>2015</b>	
Instruction	\$ (109,068,576)	\$ (108,130,105)	0.87 %
Support services	(72,689,438)	(81,688,422)	(11.02) %
Non-instructional	2,197,784	2,291,404	(4.09) %
Sixteenth section	(77,224)	(94,271)	(18.08) %
Pension expense	(32,083,182)	(14,768,514)	117.24 %
Interest on long-term liabilities	(8,871,416)	(9,672,067)	8.28 %
<b>Total net (expense) revenue</b>	<b>\$ (220,592,052)</b>	<b>\$ (212,061,975)</b>	<b>4.02 %</b>

- Net cost of governmental activities (\$220,592,052 for 2016 and \$212,061,975 for 2015) was financed by general revenue, which is primarily made up of property taxes (\$92,465,330 for 2016 and \$92,011,086 for 2015) and state and federal revenues (\$134,304,454 for 2016 and \$130,048,703 for 2015). In addition, there was \$1,378,780 and \$1,343,944 in Sixteenth Section sources for 2016 and 2015, respectively.
- Investment earnings amounted to \$18,961 for 2016 and \$7,653 for 2015.

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

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**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS**

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

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

The financial performance of the School District as a whole is reflected in its governmental funds. As the School District completed the year, its governmental funds reported a combined fund balance of \$56,018,722, an increase of \$22,182,387, which includes a prior period adjustment of (\$500,192) and an increase in inventory of \$105,802. \$19,785,479, or 35% 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 \$36,233,243, or 65% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the School District. The increase in fund balance in the General Fund for the fiscal year was \$6,279,918, which includes an increase in inventory of \$19,505. The fund balance of Other Governmental Funds showed an increase in the amount of \$8,833,270, which includes a prior period adjustment of (\$500,192) and an increase in inventory of \$86,297. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
QSCB Northwest Middle School Fund    \$	7,069,199

**BUDGETARY HIGHLIGHTS**

During the year, the School District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District. Budget revisions during the year were routine in nature and were insignificant when compared to total revenues and expenditures of the School District.

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

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2016, the School District's total capital assets were \$323,862,632, including land, construction in progress, school buildings, improvements other than buildings, buses, other school vehicles, furniture and equipment, and leased property under capital leases. This amount represents a gross increase of \$5,835,673 from 2015, due primarily to the ongoing construction of the Northwest Middle School and the purchase of various items of mobile equipment and furniture and equipment. Total accumulated depreciation as of June 30, 2016, was \$128,525,253, and total depreciation expense for the year was \$6,409,968, resulting in total net capital assets of \$195,337,379.

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Land	\$ 6,780,059	\$ 6,780,059	0.00 %
Construction in Progress	10,453,857	2,146,271	387.07 %
Buildings	156,677,348	160,672,038	(2.49) %
Improvements other than buildings	16,620,904	17,369,835	(4.31) %
Mobile equipment	771,775	865,956	(10.88) %
Furniture and equipment	921,252	878,986	4.81 %
Leased property under capital leases	3,112,184	3,730,639	(16.58) %
<b>Total</b>	<b>\$ <u>195,337,379</u></b>	<b>\$ <u>192,443,784</u></b>	<b>1.50 %</b>

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

**Debt Administration.** At June 30, 2016, the School District had \$186,103,824 in outstanding long-term debt, of which \$13,691,838 is due within one year. During the fiscal year, the School District made principal payments totaling \$7,357,379 on outstanding long-term debt. The School District received proceeds from special obligation bonds totaling \$118,070,000 to refund certain general and limited obligation bonds and three mill notes payable totaling \$124,700,000. The School District also received proceeds from the issuance of qualified school construction bonds in the amount of \$15,400,000. The liability for compensated absences decreased \$114,907 from the prior year.

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

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**Table 5  
Outstanding Long-Term Debt**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 31,830,000	\$ 138,295,000	(76.98) %
Special obligation bonds payable	118,070,000	-	N/A %
Limited obligation bonds payable	-	8,855,000	(100.00) %
Three mill notes payable	14,960,000	30,940,000	(51.65) %
Obligations under capital leases	3,750,654	4,508,033	(16.80) %
Qualified school construction bonds payable	15,400,000	-	N/A %
Compensated absences payable	2,093,170	2,208,077	(5.20) %
<b>Total</b>	<b>\$ <u>186,103,824</u></b>	<b>\$ <u>184,806,110</u></b>	<b>0.70 %</b>

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

### **CURRENT ISSUES**

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

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

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

### **CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Jackson Public School District, P.O. Box 2338, Jackson, MS 39225-2338.



## FINANCIAL STATEMENTS

# JACKSON PUBLIC SCHOOL DISTRICT

## Statement of Net Position June 30, 2016

Exhibit A

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 44,704,478
Due from other governments	13,628,541
Other receivables, net	171,905
Inventories	1,543,678
Restricted assets	11,456,253
Capital assets, non-depreciable:	
Land	6,780,059
Construction in progress	10,453,857
Capital assets, net of accumulated depreciation:	
Buildings	156,677,348
Improvements other than buildings	16,620,904
Mobile equipment	771,775
Furniture and equipment	921,252
Leased property under capital leases	3,112,184
Total Assets	<u>266,842,234</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflow from advance refunding of debt	18,110,615
Deferred outflow related to pensions	67,539,106
Total Deferred Outflows of Resources	<u>85,649,721</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	15,386,858
Unearned revenue	99,275
Interest payable on long-term liabilities	2,030,472
Long-term liabilities, due within one year:	
Capital related liabilities	10,890,929
Non-capital related liabilities	2,800,909
Long-term liabilities, due beyond one year:	
Capital related liabilities	138,914,725
Capital related bond premiums	23,313,320
Non-capital related liabilities	33,497,261
Net pension liability	364,433,367
Total Liabilities	<u>591,367,116</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflow related to pensions	16,683,661
Total Deferred Inflows of Resources	<u>16,683,661</u>
<b>Net Position</b>	
Net investment in capital assets	48,153,202
Restricted for:	
Expendable:	
School-based activities	8,895,314
Debt service	8,959,890
Capital improvements	250,000
Forestry improvements	39,830
Unemployment benefits	1,318,608
Non-expendable:	
Sixteenth section	298,025
Unrestricted (deficit)	(323,473,691)
Total Net Position (deficit)	<u>\$ (255,558,822)</u>

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

**JACKSON PUBLIC SCHOOL DISTRICT**

**Statement of Activities  
For the Year Ended June 30, 2016**

**Exhibit B**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 127,378,865	\$ 1,408,238	\$ 16,902,051	\$ -0-	\$ (109,068,576)
Support services	94,536,686	5,657,114	16,098,862	91,272	(72,689,438)
Non-instructional	19,284,119	989,886	20,492,017	-0-	2,197,784
Sixteenth section	77,224	-0-	-0-	-0-	(77,224)
Pension expense	32,083,182	-0-	-0-	-0-	(32,083,182)
Interest on long-term liabilities	8,871,416	-0-	-0-	-0-	(8,871,416)
Total Governmental Activities	<u>\$ 282,231,492</u>	<u>\$ 8,055,238</u>	<u>\$ 53,492,930</u>	<u>\$ 91,272</u>	<u>(220,592,052)</u>
General Revenues:					
Taxes:					
General purpose levies					73,408,558
Debt purpose levies					19,056,772
Unrestricted grants and contributions:					
State					134,018,082
Federal					286,372
Unrestricted investment earnings					18,961
Sixteenth section sources					1,378,780
Other					1,391,607
Total General Revenues					<u>229,559,132</u>
Change in Net Position					<u>8,967,080</u>
Net Position (deficit) - Beginning, as previously reported					(263,724,533)
Prior Period Adjustments					<u>(801,369)</u>
Net Position (deficit) - Beginning, as restated					<u>(264,525,902)</u>
Net Position (deficit) - Ending					\$ <u>(255,558,822)</u>

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

# JACKSON PUBLIC SCHOOL DISTRICT

## Governmental Funds

Balance Sheet

Exhibit C

June 30, 2016

	Major Funds			
	General	QSCB	Other	Total
	Fund	Northwest Middle School Fund	Governmental Funds	Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 17,996,779	\$ 9,120,244	\$ 27,760,707	\$ 54,877,730
Cash with fiscal agents	-0-	-0-	1,283,001	1,283,001
Due from other governments	5,614,065	-0-	5,961,453	11,575,518
Other receivables, net	171,905	-0-	-0-	171,905
Due from other funds	9,094,957	-0-	1,974,632	11,069,589
Inventories	1,025,382	-0-	518,296	1,543,678
Total assets	<u>\$ 33,903,088</u>	<u>\$ 9,120,244</u>	<u>\$ 37,498,089</u>	<u>\$ 80,521,421</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 10,461,393	\$ 2,051,045	\$ 2,874,420	\$ 15,386,858
Due to other funds	1,969,988	-0-	7,046,578	9,016,566
Unavailable revenue - federal programs	-0-	-0-	99,275	99,275
Total Liabilities	<u>12,431,381</u>	<u>2,051,045</u>	<u>10,020,273</u>	<u>24,502,699</u>
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Inventory	1,025,382	-0-	518,296	1,543,678
Permanent fund principal	-0-	-0-	298,025	298,025
<b>Restricted:</b>				
Debt service	-0-	-0-	10,990,362	10,990,362
Capital projects	-0-	7,069,199	1,004,983	8,074,182
Forestry improvement purposes	-0-	-0-	39,830	39,830
Grant activities	-0-	-0-	7,351,636	7,351,636
Unemployment benefits	-0-	-0-	1,318,608	1,318,608
<b>Assigned:</b>				
Facility repairs and improvements	-0-	-0-	5,956,076	5,956,076
Activity funds/athletics	660,846	-0-	-0-	660,846
<b>Unassigned</b>	<u>19,785,479</u>	<u>-0-</u>	<u>-0-</u>	<u>19,785,479</u>
Total Fund Balances	<u>21,471,707</u>	<u>7,069,199</u>	<u>27,477,816</u>	<u>56,018,722</u>
Total Liabilities and Fund Balances	<u>\$ 33,903,088</u>	<u>\$ 9,120,244</u>	<u>\$ 37,498,089</u>	<u>\$ 80,521,421</u>

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



# JACKSON PUBLIC 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** \$ 56,018,722

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	\$ 6,780,059	
Construction in progress	10,453,857	
Buildings	232,743,622	
Improvements other than buildings	38,182,187	
Mobile equipment	15,394,175	
Furniture and equipment	15,070,481	
Leased property under capital leases	5,238,251	
Accumulated depreciation	<u>(128,525,253)</u>	195,337,379

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	(364,433,367)	
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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	67,539,106	
Deferred inflows of resources related to pensions	<u>(16,683,661)</u>	(313,577,922)

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:

General obligation bonds	(31,830,000)	
Other bonds payable	(133,470,000)	
Notes payable	(14,960,000)	
Capital lease obligations	(3,750,654)	
Compensated absences	(2,093,170)	
Unamortized charges	18,110,616	
Unamortized premiums	(23,313,320)	
Accrued interest payable	<u>(2,030,472)</u>	(193,337,001)

**Net Position (deficit) of governmental activities** \$ (255,558,822)

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

**JACKSON PUBLIC SCHOOL DISTRICT**

**Governmental Funds**

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

**Exhibit D**

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

	Major Funds			
	General	QSCB	Other	Total
	Fund	Northwest Middle School Fund	Governmental Funds	Governmental Funds
<b>Revenues:</b>				
Local sources	\$ 76,107,244	\$ 666	\$ 20,085,800	\$ 96,193,710
State sources	129,412,160	-0-	8,075,862	137,488,022
Federal sources	310,155	-0-	50,170,791	50,480,946
Sixteenth section sources	1,378,780	-0-	-0-	1,378,780
Total Revenues	<u>207,208,339</u>	<u>666</u>	<u>78,332,453</u>	<u>285,541,458</u>
<b>Expenditures:</b>				
Instruction	117,464,534	-0-	20,878,627	138,343,161
Support services	81,016,320	74,626	20,610,213	101,701,159
Noninstructional services	27,460	-0-	19,993,604	20,021,064
Sixteenth section	77,224	-0-	-0-	77,224
Facilities acquisition and construction	-0-	8,069,741	237,845	8,307,586
Debt service:				
Principal	253,065	-0-	7,104,314	7,357,379
Interest	71,751	-0-	7,896,185	7,967,936
Other	47,771	187,100	1,322,746	1,557,617
Total Expenditures	<u>198,958,125</u>	<u>8,331,467</u>	<u>78,043,534</u>	<u>285,333,126</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>8,250,214</u>	<u>(8,330,801)</u>	<u>288,919</u>	<u>208,332</u>
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	-0-	15,400,000	-0-	15,400,000
Insurance recovery	17,839	-0-	5,639,275	5,657,114
Refunding bonds issued	-0-	-0-	118,070,000	118,070,000
Payments held by escrow agent	-0-	-0-	1,283,000	1,283,000
Premiums on refunding bonds issued	-0-	-0-	17,907,049	17,907,049
Payment to refunded bond escrow agent	-0-	-0-	(134,665,718)	(134,665,718)
Payment to QSCB debt escrow agent	(1,283,000)	-0-	-0-	(1,283,000)
Operating transfers in	3,485,806	-0-	7,513,095	10,998,901
Operating transfers out	(4,210,446)	-0-	(6,788,455)	(10,998,901)
Total Other Financing Sources (Uses)	<u>(1,989,801)</u>	<u>15,400,000</u>	<u>8,958,246</u>	<u>22,368,445</u>
Net Change in Fund Balances	<u>6,260,413</u>	<u>7,069,199</u>	<u>9,247,165</u>	<u>22,576,777</u>
<b>Fund Balances:</b>				
July 1, 2015, as previously reported	15,191,789	-0-	18,644,546	33,836,335
Prior period adjustments	-0-	-0-	(500,192)	(500,192)
July 1, 2015, as restated	<u>15,191,789</u>	<u>-0-</u>	<u>18,144,354</u>	<u>33,336,143</u>
Increase in inventory	<u>19,505</u>	<u>-0-</u>	<u>86,297</u>	<u>105,802</u>
June 30, 2016	\$ <u>21,471,707</u>	\$ <u>7,069,199</u>	\$ <u>27,477,816</u>	\$ <u>56,018,722</u>

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



**JACKSON PUBLIC 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**

**Net change in fund balances - total governmental funds** \$ 22,576,777

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	\$ 9,616,142	
Depreciation expense	(6,409,968)	3,206,174
  
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.

(11,402)
  
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:

Bonds and notes issued	(15,400,000)	
Refunding bonds issued	(118,070,000)	
Premiums on bonds and refunding bonds issued	(17,907,049)	
Payments of debt principal	7,357,379	
Payments to refunded bond escrow agent	134,665,718	
Accrued interest payable	278,509	(9,075,443)
  
4. Some items reported in the statement of activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:

Recording of pension expense for the current period	(32,083,182)	
Recording of contributions made subsequent to the measurement date	23,757,819	(8,325,363)
  
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	114,907	
Change in inventory	105,802	
Amortization of deferred charges, premiums and discounts	375,628	596,337

**Change in Net Position of governmental activities** \$ 8,967,080

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

**JACKSON PUBLIC SCHOOL DISTRICT****Fiduciary Funds****Statement of Fiduciary Net Position  
June 30, 2016****Exhibit E**

	Private-Purpose Trust Funds	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 56,533	\$ 2,906,035
Other receivables	-0-	1,072,519
Total Assets	<u>56,533</u>	<u>\$ 3,978,554</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	-0-	\$ 1,688,747
Due to other funds	-0-	2,053,023
Due to student clubs	-0-	236,784
Total Liabilities	<u>-0-</u>	<u>\$ 3,978,554</u>
<b>Net Position</b>		
Held in trust	<u>56,533</u>	
Total Net Position	<u>\$ 56,533</u>	

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



**JACKSON PUBLIC SCHOOL DISTRICT**

**Fiduciary Funds**

**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2016**

**Exhibit F**

	Private-Purpose Trust Funds
<b>Additions</b>	
Contributions and donations from private sources	\$ 42,911
Total Additions	<u>42,911</u>
<b>Deductions</b>	
Educational media services	<u>28,283</u>
Total Deductions	<u>28,283</u>
Change in Net Position	<u>14,628</u>
<b>Net Position</b>	
July 1, 2015	<u>41,905</u>
June 30, 2016	<u><u>\$ 56,533</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

## JACKSON PUBLIC SCHOOL DISTRICT

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

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### **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 an "other stand-alone government." The school district is a related organization of, but not a component unit of, the City of Jackson since the governing authority of the city selects a majority of the School District's board but does not have financial accountability for the School District.

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

#### **B. Government-wide and Fund Financial Statements**

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

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

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

**JACKSON PUBLIC SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2016

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**Note 1 – Summary of Significant Accounting Policies, Continued**

**B. Government-wide and Fund Financial Statements, Continued**

2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The School District reports the following major governmental funds:

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

QSCB Northwest Middle School Fund - This is a capital projects fund that accounts for the proceeds of the qualified school construction bonds and expenditures incurred for the construction of the Northwest Middle School.

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

The School District also reports fiduciary funds which has assets and liabilities but not net position.

**JACKSON PUBLIC SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2016

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**Note 1 – Summary of Significant Accounting Policies, Continued**

**B. Government-wide and Fund Financial Statements, Continued**

The School District's fiduciary funds include the following:

RN Fortenberry Scholarship Fund - This fund serves as a private-purpose trust fund used to report a trust arrangement, other than those properly reported elsewhere, in which scholarships are provided to students of the School District.

Lake Memorial Library Fund - This fund serves as a private-purpose trust fund used to report a trust arrangement, other than those properly reported elsewhere, in which the principal and income benefit individuals, private organizations or other governments.

Payroll Clearing Fund - This fund is used as a clearing fund for payroll type transactions.

**Student Club Funds - These various funds account for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual clubs.**

Accounts Payable Clearing Fund - This fund is used as a clearing fund for accounts payable type transactions.

Additionally, the School District reports the following fund types:

**GOVERNMENTAL FUNDS**

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

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

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

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



**JACKSON PUBLIC SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2016

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**Note 1 – Summary of Significant Accounting Policies, Continued**

**B. Government-wide and Fund Financial Statements, Continued**

**FIDUCIARY FUNDS**

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

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

**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.

**JACKSON PUBLIC SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2016

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**Note 1 – Summary of Significant Accounting Policies, Continued**

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

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

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

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

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 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 School District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from

**JACKSON PUBLIC SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2016

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**Note 1 – Summary of Significant Accounting Policies, Continued**

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

the date of acquisition. The School District deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

**Investments**

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

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

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

**2. Receivables and payables**

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

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

**3. Due from Other Governments**

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

**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.



**JACKSON PUBLIC SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2016

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**Note 1 – Summary of Significant Accounting Policies, Continued**

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

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

**5. Restricted Assets**

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified 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 School District except as provided for under state statute for loans from this fund. In addition, unspent proceeds from the issuance of long-term debt reported as cash and cash equivalents in a Capital Projects Fund is classified as restricted assets because the funds are to be spent for specific purposes outlined in resolutions approved by the board, bond documentation, etc.

**6. Capital Assets**

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

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

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

**JACKSON PUBLIC SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2016

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**Note 1 – Summary of Significant Accounting Policies, Continued**

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

The following schedule details the capitalization thresholds:

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

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

**7. Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has incurred deferred outflows which are presented as a deferred outflow from advance refunding of debt and a deferred outflow related to pensions. See Note 15 for further details.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has incurred a deferred inflow which is presented as a deferred inflow related to pensions. See Note 15 for further details.

**8. Compensated Absences**

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

**JACKSON PUBLIC SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2016

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**Note 1 – Summary of Significant Accounting Policies, Continued**

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

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

**9. Long-term Liabilities and Bond Discounts/Premiums**

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

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

**10. Pensions**

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

**11. Fund Balances**

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

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

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

**JACKSON PUBLIC SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2016

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**Note 1 – Summary of Significant Accounting Policies, Continued**

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

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

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

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

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

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

It is the goal of the School District to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of not less than 7% of general revenues. If the unassigned fund balance at fiscal year-end falls below the goal, the School District shall develop a restoration plan to achieve and maintain the minimum fund balance.

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

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



**JACKSON PUBLIC SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2016

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

**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.

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

**Cash and Cash Equivalents**

The carrying amount of the School District's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$54,877,730 and \$2,962,568, respectively. The carrying amount of deposits reported in the government-wide financial statements included cash and cash equivalents of \$44,704,478 and a portion of restricted assets in the amount of \$10,173,252 (see Note 4). The bank balance was \$55,267,070.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the School District will not be able to recover deposits or collateral



**JACKSON PUBLIC SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2016

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

securities that are in the possession of an outside party. The School District does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the School District. As of June 30, 2016, none of the School District's bank balance of \$55,267,070 was exposed to custodial credit risk.

**Cash with Fiscal Agents**

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$1,283,001.

**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	Other governmental funds	\$ 7,041,934
	Fiduciary funds	2,053,023
Other governmental funds	General Fund	1,969,988
	Other governmental funds	4,644
Total		<u>\$ 11,069,589</u>

The inter-fund loans were made mainly to cover the initial payments of reimbursable expenditures of federal programs and to eliminate deficit cash balances. In addition, inter-fund loans were made to record indirect costs from various federal program funds due to the General fund. Also, inter-fund loans were made to record funds due the General Fund from various agency funds.

**JACKSON PUBLIC SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2016

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**Note 3 – Inter-fund Receivables, Payables and Transfers, Continued**

B. Inter-fund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 4,210,446
Other governmental funds	General funds	3,485,806
	Other governmental funds	3,302,649
Total		<u>\$ 10,998,901</u>

Operating transfers were primarily for the following: the funding of daily operations and routine activities of funds other than District Maintenance, indirect cost transfers, transfers to cover vocational and special education expenditures, transfers to cover unemployment costs, debt service transfers, and other routine operating transfers.

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance totaling \$298,025, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the School District's programs. In addition, the restricted assets represent the cash with fiscal agent balance totaling \$1,283,001 of the QSCB Bond Retirement Fund. Also, the restricted assets represent the cash balance of the QSCB Northwest Middle School Capital Projects Fund totaling \$9,120,244 and the School Bond Series 2008 Capital Projects Fund totaling \$754,983 resulting from unspent bond proceeds at fiscal year end. Total restricted assets reported on the Statement of Net Position are \$11,456,253.

**JACKSON PUBLIC SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
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	\$ 6,780,059	\$ -0-	\$ -0-	\$ -0-	\$ 6,780,059
Construction-in-progress	2,146,271	8,307,586	-0-	-0-	10,453,857
Total non-depreciable capital assets	<u>8,926,330</u>	<u>8,307,586</u>	<u>-0-</u>	<u>-0-</u>	<u>17,233,916</u>
<u>Depreciable capital assets:</u>					
Buildings	232,743,622	-0-	-0-	-0-	232,743,622
Improvements other than buildings	38,187,418	-0-	-0-	(5,231)	38,182,187
Mobile equipment	15,371,973	39,300	17,098	-0-	15,394,175
Furniture and equipment	15,436,618	1,269,256	316,404	(1,318,989)	15,070,481
Leased property under capital leases	7,360,998	-0-	-0-	(2,122,747)	5,238,251
Total depreciable capital assets	<u>309,100,629</u>	<u>1,308,556</u>	<u>333,502</u>	<u>(3,446,967)</u>	<u>306,628,716</u>
<u>Less accumulated depreciation for:</u>					
Buildings	72,071,584	3,994,690	-0-		76,066,274
Improvements other than buildings	20,817,583	747,884	-0-	(4,184)	21,561,283
Mobile equipment	14,506,017	300,782	15,388	(169,011)	14,622,400
Furniture and equipment	14,557,632	769,385	306,712	(871,076)	14,149,229
Leased property under capital leases	3,630,359	597,227	-0-	(2,101,519)	2,126,067
Total accumulated depreciation	<u>125,583,175</u>	<u>6,409,968</u>	<u>322,100</u>	<u>(3,145,790)</u>	<u>128,525,253</u>
Total depreciable capital assets, net	<u>183,517,454</u>	<u>(5,101,412)</u>	<u>11,402</u>	<u>(301,177)</u>	<u>178,103,463</u>
Governmental activities capital assets, net	<u>\$ 192,443,784</u>	<u>\$ 3,206,174</u>	<u>\$ 11,402</u>	<u>\$ (301,177)</u>	<u>\$ 195,337,379</u>

**Depreciation expense was charged to the following governmental functions:**

<b>Governmental activities</b>	<b>Amount</b>
Instruction	\$ 4,382,868
Support services	1,766,108
Non-instructional	<u>260,992</u>
Total depreciation expense – Governmental activities	<u>\$ 6,409,968</u>

The capital assets above include significant amounts which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

# JACKSON PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements, Continued

For Year Ended June 30, 2016

## Note 5 – Capital Assets, Continued

Adjustments were needed to remove prior year disposals of improvements other than buildings and furniture and equipment and the related accumulation depreciation of these disposals. Adjustments were also needed to reclassify the cost and accumulated depreciation of a portion of leased property under capital leases to furniture and equipment for capital leases that were paid in full during the fiscal year.

### Construction in progress is composed of:

	Spent to June 30, 2016	Remaining Commitment
<b>Governmental Activities:</b>		
Northwest Middle School	\$ 10,453,857	\$ 6,060,943
Total construction in progress	<u>\$ 10,453,857</u>	<u>\$ 6,060,943</u>

Construction projects included in governmental activities are funded with proceeds of qualified school construction bonds.

## 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	Refunding Adjustments	Balance 6/30/2016	Amounts due within one year
General obligation bonds payable	\$ 138,295,000	\$ -0-	\$ 1,730,000	\$ (104,735,000)	\$ 31,830,000	\$ 8,320,000
Special obligation bonds payable	-0-	118,070,000	-0-	-0-	118,070,000	4,135,000
Limited obligation bonds payable	8,855,000	-0-	2,430,000	(6,425,000)	-0-	-0-
Three mill notes payable	30,940,000	-0-	2,440,000	(13,540,000)	14,960,000	605,000
Obligations under capital leases	4,508,033	-0-	757,379	-0-	3,750,654	527,179
Qualified school construction	-0-	15,400,000	-0-	-0-	15,400,000	-0-
Compensated absences payable	2,208,077	-0-	114,907	-0-	2,093,170	104,659
Sub total	<u>184,806,110</u>	<u>133,470,000</u>	<u>7,472,286</u>	<u>(124,700,000)</u>	<u>186,103,824</u>	<u>13,691,838</u>
Add: Bond premium	<u>7,457,692</u>	<u>17,907,049</u>	<u>2,051,421</u>		<u>23,313,320</u>	<u>-0-</u>
	<u>\$ 192,263,802</u>	<u>\$ 151,377,049</u>	<u>\$ 9,523,707</u>	<u>\$ (124,700,000)</u>	<u>\$ 209,417,144</u>	<u>\$ 13,691,838</u>



**JACKSON PUBLIC SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2016

**Note 6 – Long-term Liabilities, Continued**

A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. General obligation bonds, Series 2007	4.0%-5.0%	10/2/2007	4/1/2017	\$ 36,000,000	\$ 1,630,000
2. General obligation bonds, Series 2008	4.0%-5.25%	7/23/2008	4/1/2018	114,000,000	11,300,000
3. General obligation bonds, Series 2012-A	5.00%	1/15/2013	4/1/2028	21,065,000	18,900,000
Total				<u>\$ 171,065,000</u>	<u>\$ 31,830,000</u>

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

1. General obligation bonds issued on October 2, 2007:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 1,630,000	\$ 81,500	\$ 1,711,500
Total	<u>\$ 1,630,000</u>	<u>\$ 81,500</u>	<u>\$ 1,711,500</u>

This debt will be retired from the General Obligation Bond Series 2007 Debt Service Fund.

2. General obligation bonds issued on July 23, 2008:

Year Ending June 30	Principal	Interest	Total
2017	\$ 5,505,000	\$ 593,250	\$ 6,098,250
2018	5,795,000	304,238	6,099,238
Total	<u>\$ 11,300,000</u>	<u>\$ 897,488</u>	<u>\$ 12,197,488</u>

This debt will be retired from the General Obligation Bond Series 2008 Debt Service Fund.

**JACKSON PUBLIC SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2016

**Note 6 – Long-term Liabilities, Continued**

3. General obligation bonds issued on January 15, 2013:

Year Ending June 30	Principal	Interest	Total
2017	\$ 1,185,000	\$ 945,000	\$ 2,130,000
2018	490,000	885,750	1,375,750
2019	1,370,000	861,250	2,231,250
2020	1,440,000	792,750	2,232,750
2021	1,510,000	720,750	2,230,750
2022 – 2026	8,755,000	2,393,250	11,148,250
2027 – 2028	4,150,000	313,750	4,463,750
Total	<u>\$ 18,900,000</u>	<u>\$ 6,912,500</u>	<u>\$ 25,812,500</u>

This debt will be retired from the General Obligation Series 2012A Refunding Debt Service Fund.

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2017	\$ 8,320,000	\$ 1,619,750	\$ 9,939,750
2018	6,285,000	1,189,988	7,474,988
2019	1,370,000	861,250	2,231,250
2020	1,440,000	792,750	2,232,750
2021	1,510,000	720,750	2,230,750
2022 – 2026	8,755,000	2,393,250	11,148,250
2027 – 2028	4,150,000	313,750	4,463,750
Total	<u>\$ 31,830,000</u>	<u>\$ 7,891,488</u>	<u>\$ 39,721,488</u>

The amount of bonded indebtedness that can be incurred by the School District is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2016, the amount of outstanding bonded indebtedness was equal to 3% of property assessments as of October 1, 2015.

**JACKSON PUBLIC SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2016

**Note 6 – Long-term Liabilities, Continued**

Advance Refunding

On November 10, 2015, the School District issued \$104,990,000 in special obligation bonds, Series 2015A, with an average interest rate of 5% to advance refund \$104,735,000 of outstanding general obligation bonds, Series 2007 and Series 2008 with an average interest rate of 4.25% and 5.21%, respectively, and to advance refund \$6,425,000 of outstanding state aid capital improvement refunding bonds, Series 2006 with an average interest rate of 4.67%. The net proceeds of \$121,002,364, including bond premium of \$17,176,398 and after payments of \$1,164,034 for issuance costs, were deposited in an irrevocable trust with an escrow agent to provide for certain future debt payment requirements on the general obligation bonds, Series 2007 and Series 2008 and all future debt payment requirements on the state aid capital improvement refunding bonds, Series 2006.

As a result, certain maturities of the general obligation bonds, Series 2007 and 2008, and all maturities of the state aid capital improvement refunding bonds, Series 2006, are considered to be defeased and the liability for those bonds has been removed from long-term liabilities.

The School District advance refunded certain maturities of the general obligation bonds, Series 2007 and Series 2008, and the outstanding state aid capital improvement refunding bonds, Series 2006, to reduce its total debt service payments over the remaining 12 years of the debt by approximately \$13,914,769.

B. Special obligation bonds payable

Special obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Special obligation bonds, Series 2015A	5.00%	11/10/2015	4/1/2028	\$ 104,990,000	\$ 104,990,000
2. Special obligation bonds, Series 2015B	0.58%-5.0%	11/10/2015	10/1/2020	13,080,000	13,080,000
Total				<u>\$ 118,070,000</u>	<u>\$ 118,070,000</u>

**JACKSON PUBLIC SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2016

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**Note 6 – Long-term Liabilities, Continued**

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

**1. Special obligation bonds, Series 2015A issued on November 10, 2015:**

Year Ending June 30	Principal	Interest	Total
2017	\$ 2,465,000	\$ 5,249,500	\$ 7,714,500
2018	4,185,000	5,126,250	9,311,250
2019	9,160,000	4,917,000	14,077,000
2020	8,280,000	4,459,000	12,739,000
2021	8,710,000	4,045,000	12,755,000
2022 – 2026	50,820,000	13,221,500	64,041,500
2027 – 2028	21,370,000	1,550,750	22,920,750
Total	<u>\$ 104,990,000</u>	<u>\$ 38,569,000</u>	<u>\$ 143,559,000</u>

This debt will be retired from the General Obligation Bonds Series 2015A Refunding Debt Service Fund.

**2. Special obligation bonds, Series 2015B issued on November 10, 2015:**

Year Ending June 30	Principal	Interest	Total
2017	\$ 1,670,000	\$ 424,861	\$ 2,094,861
2018	2,700,000	352,518	3,052,518
2019	2,805,000	239,297	3,044,297
2020	2,905,000	171,787	3,076,787
2021	3,000,000	75,000	3,075,000
Total	<u>\$ 13,080,000</u>	<u>\$ 1,263,463</u>	<u>\$ 14,343,463</u>

This debt will be retired from the General Obligation Bonds Series 2015B Refunding Debt Service Fund.



**JACKSON PUBLIC SCHOOL DISTRICT**

Notes to the Financial Statements, Continued

For Year Ended June 30, 2016

**Note 6 – Long-term Liabilities****Total special obligation bonds payments for all issues:**

Year Ending June 30	Principal	Interest	Total
2017	\$ 4,135,000	\$ 5,674,361	\$ 9,809,361
2018	6,885,000	5,478,768	12,363,768
2019	11,965,000	5,156,297	17,121,297
2020	11,185,000	4,630,787	15,815,787
2021	11,710,000	4,120,000	15,830,000
2022 – 2026	50,820,000	13,221,500	64,041,500
2027 – 2028	21,370,000	1,550,750	22,920,750
Total	<u>\$ 118,070,000</u>	<u>\$ 39,832,463</u>	<u>\$ 157,902,463</u>

**C. Limited obligation bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds, Series 2006	3.25%-	2/22/2006	2/1/2018	\$ 26,520,000	\$ -0-
Total				<u>\$ 26,520,000</u>	<u>\$ -0-</u>

This debt was retired from the MAEP Debt Service Fund.

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the School District receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage.

**JACKSON PUBLIC SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2016

**Note 6 – Long-term Liabilities, Continued**

D. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Limited tax notes refunding bonds, Series 2005	2.45%-5.0%	5/5/2005	10/1/2020	\$ 25,225,000	\$ -0-
2. Limited tax notes refunding bonds, Series 2012B	4.37%	1/15/2013	10/1/2023	15,100,000	14,960,000
Total				<u>\$ 40,325,000</u>	<u>\$ 14,960,000</u>

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

- Three mill notes payable issued on May 5, 2005 were refunded during the fiscal year. See below for further details on refunding. This debt was retired from the Three Mill Series 2005 Retirement Debt Service Fund.
- Three mill notes payable issued on January 15, 2013:

Year Ending June 30	Principal	Interest	Total
2017	\$ 605,000	\$ 640,203	\$ 1,245,203
2018	605,000	613,797	1,218,797
2019	635,000	586,734	1,221,734
2020	635,000	559,016	1,194,016
2021	660,000	530,719	1,190,719
2022 – 2024	<u>11,820,000</u>	<u>789,421</u>	<u>12,609,421</u>
Total	<u>\$ 14,960,000</u>	<u>\$ 3,719,890</u>	<u>\$ 18,679,890</u>

This debt will be retired from the Three Mill Series 2012B Refunding Debt Service Fund.

**JACKSON PUBLIC SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2016

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**Note 6 – Long-term Liabilities, Continued**

**Advance Refunding**

On November 10, 2015, the School District issued \$13,080,000 in special obligation bonds, Series 2015B, with an average interest rate of 3.42% to advance refund \$13,540,000 of outstanding limited tax note refunding bonds, Series 2005, with an average interest rate of 5%. The net proceeds of \$13,663,354, including bond premium of \$730,651 and after payments of \$147,297 for issuance costs, were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements on the limited tax notes refunding bonds, Series 2005.

As a result, the limited tax notes refunding bonds, Series 2005 are considered to be defeased and the liability for those bonds has been removed from long-term liabilities.

The School District advance refunded the limited tax notes refunding bonds, Series 2005 to reduce its total debt service payments over the remaining 5 years of the debt by approximately \$948,982.

**E. Obligations under capital leases**

The School District has entered into lease agreements, which qualify as capital leases for accounting purposes, for the acquisition of the following:

1. Buses at a cost of \$1,238,460.
2. Transportation equipment and food service equipment at a cost of \$3,999,791.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Buses	4.99%	6/13/2011	8/31/2020	\$ 1,238,460	\$ 655,149
Transportation/food service equipment	4.37%	9/19/2013	10/10/2023	3,999,791	3,095,505
Total				<u>\$ 5,238,251</u>	<u>\$ 3,750,654</u>

**JACKSON PUBLIC SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2016

**Note 6 – Long-term Liabilities, Continued**

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2017	\$ 527,179	\$ 161,752	\$ 688,931
2018	551,088	137,843	688,931
2019	576,089	112,842	688,931
2020	602,232	86,699	688,931
2021	527,369	59,362	586,731
2022 – 2024	966,697	63,503	1,030,200
Total	<u>\$ 3,750,654</u>	<u>\$ 622,001</u>	<u>\$ 4,372,655</u>

The capital lease for the buses will be retired from the EEF Buildings and Buses Fund (Special Revenue Fund) and the capital lease for the Transportation/food service equipment will be retired from the Lunchroom Fund and EEF Buildings and Buses Fund (Special Revenue Funds).

F. Qualified school construction bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
QSCB, Series 2015	0.15%	8/14/2015	6/15/2027	\$ 15,400,000	\$ 15,400,000
Total				<u>\$ 15,400,000</u>	<u>\$ 15,400,000</u>



**JACKSON PUBLIC SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2016

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**Note 6 – Long-term Liabilities, Continued**

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

Year Ending June 30	Principal	Interest	Total
2017	\$ -0-	\$ 23,100	\$ 23,100
2018	-0-	23,100	23,100
2019	-0-	23,100	23,100
2020	-0-	23,100	23,100
2021	-0-	23,100	23,100
2022 – 2026	-0-	115,500	115,500
2027	<u>15,400,000</u>	<u>23,100</u>	<u>15,423,100</u>
Total	\$ <u>15,400,000</u>	\$ <u>254,100</u>	\$ <u>15,654,100</u>

This debt will be retired from the QSCB Series 2015 Debt Service Fund.

**G. 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 – Short-Term Financing**

During the fiscal year ended June 30, 2016, the School District participated in the following short-term financings for the purpose of supplementing the School District's resources until tax proceeds become available:

**A. Bank-financed short term debt.**

The School District issued revenue anticipation notes payable to BancorpSouth Bank and Trustmark National Bank, and the proceeds from such issuance are accounted for as a current liability in the General Fund of the School District. Once the cash flow was available, the School District made a payment consisting of principal and interest to the trustee.

**JACKSON PUBLIC SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2016

**Note 7 – Short-Term Financing, Continued**

All transactions related to participation in this program are accounted for as part of the School District's General Fund.

- B. Changes in short-term debt activity recorded in the governmental activities during fiscal year 2016 are as follows:

Description	Balance 7/1/2015	Additions	Reductions	Balance 6/30/2016
1. Tax Anticipation Note, 0.75%	\$ -0-	\$ 10,000,000	\$ 10,000,000	\$ -0-
2. Tax Anticipation Note, 0.75%	-0-	10,000,000	10,000,000	-0-
Total	<u>\$ -0-</u>	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ -0-</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 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

## JACKSON PUBLIC SCHOOL DISTRICT

### Notes to the Financial Statements, Continued

For Year Ended June 30, 2016

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#### Note 8 – Defined Benefit Pension Plan, Continued

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 ended June 30, 2016, 2015 and 2014 were \$23,757,819, \$23,198,820 and \$22,224,676, 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 \$364,433,367 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 School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The School District's proportionate share used to calculate the June 30, 2016 net pension liability was 2.357567 percent, which was based on a measurement date of June 30, 2015. This was an increase of 0.047232 from its proportionate share used to calculate the June 30, 2015 net pension liability, which was based on a measurement date of June 30, 2014.

**JACKSON PUBLIC SCHOOL DISTRICT**

Notes to the Financial Statements, Continued

For Year Ended June 30, 2016

**Note 8 – Defined Benefit Pension Plan, Continued**

For the year ended June 30, 2016, the School District recognized pension expense of \$32,083,182. At June 30, 2016 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,409,483	\$ -0-
Net difference between projected and actual earnings on pension plan investments		9,164,799
Changes of assumptions	31,394,693	
Changes in proportion and differences between School District contributions and proportionate share of contributions	3,977,111	7,518,862
District contributions subsequent to the measurement date	23,757,819	-0-
Total	<u>\$ 67,539,106</u>	<u>\$ 16,683,661</u>

\$23,757,819 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, 2017. 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	\$ 7,583,935
2018	8,167,038
2019	6,015,842
2020	5,330,811

**JACKSON PUBLIC SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2016

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**Note 8 – Defined Benefit Pension Plan, Continued**

*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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	100%	



**JACKSON PUBLIC SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2016

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**Note 8 – Defined Benefit Pension Plan, Continued**

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 480,356,563	\$ 364,433,367	\$ 268,238,787

*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 – 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.

**JACKSON PUBLIC SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2016

**Note 9 – Sixteenth Section Lands, Continued**

Year ended June 30,	Amount
2017	\$ 1,268,192
2018	1,263,192
2019	1,249,432
2020	1,246,792
2021	906,292
2022 - 2026	4,124,635
2027 - 2031	3,133,730
2032 - 2036	2,537,255
2027 - 2041	1,154,369
Thereafter	6,71,055
Total	<u>\$ 17,554,944</u>

**Note 10 – Prior Period Adjustments**

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

Exhibit B - Statement of Activities

Explanation	Amount
1. To correct prior year revenues and expenditures, write off prior year receivable, and repay funds to State Treasurer at the governmental fund level	\$ (500,192)
2. To correct prior year cost and accumulated depreciation for prior year disposals for various capital asset groups	(301,177)
Total	<u>\$ (801,369)</u>

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

Fund	Explanation	Amount
Other governmental funds	To correct prior year revenues or expenditures in various special revenue funds	\$ 709
	To write off prior year receivable in the Capital City Roof Repairs Capital Projects Fund	(345,405)
	Repayment to Mississippi State Treasurer Fund	(155,496)
Total		<u>\$ (500,192)</u>

**JACKSON PUBLIC SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2016

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**Note 11 – Contingencies**

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

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

**Note 12 – Risk Management**

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

**Note 13 – Qualified School Construction Bonds**

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

When the stated interest rate on the QSCB results in interest payments that exceed the supplementary interest payments discussed in the preceding paragraph, the School District may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplementary interest paid on a QSCB. For the year ended June 30, 2016, the subsidy payments amounted to zero.

# JACKSON PUBLIC SCHOOL DISTRICT

## Notes to the Financial Statements, Continued

For Year Ended June 30, 2016

### Note 13 – Qualified School Construction Bonds, Continued

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 at June 30, 2016 was \$1,283,001. 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	\$ 1,283,000
2018	1,283,000
2019	1,283,000
2020	1,283,000
2021	1,283,000
2022 – 2026	6,418,000
2027	1,284,000
Total	\$ <u>14,117,000</u>

### Note 14 - Insurance loss recoveries

The School District received \$5,657,114 in insurance loss recoveries during the 2015-2016 fiscal year related primarily to storm damage and various other damages to properties. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and were allocated to the support services expense function. Government entities are required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage. Capital assets based on the restoration cost approach for the various buildings damaged were deemed not impaired at June 30, 2016.

**JACKSON PUBLIC SCHOOL DISTRICT**  
Notes to the Financial Statements, Continued  
For Year Ended June 30, 2016

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**Note 15 – Effect of Deferred Amounts on Net Position**

The net investment in capital assets net position amount of \$48,153,202 includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of school district debt and deferred bond premiums. The \$18,110,615 balance of the deferred outflow of resources at June 30, 2016, will be recognized as an expense and decrease the net investment in capital assets net position over the next 12 years. The \$23,313,320 balance of the deferred bond premiums at June 30, 2016, will be recognized as a decrease in an expense and increase the net investment in capital assets net position over the next 12 years.

The unrestricted net position amount of (\$323,473,691) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$23,757,819 resulting from the School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The \$43,781,287 balance of the deferred outflow of resources related to pensions at June 30, 2016 will be recognized as pension expense and will decrease the unrestricted net position amount over the next 3 years. The \$16,683,661 balance of the deferred inflow of resources related to pensions at June 30, 2016 will be recognized as a reduction of pension expense and will increase the unrestricted net position amount over the next 4 years.

**Note 16 - Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the School District evaluated the activity of the district through March 10, 2017, and determined that the following subsequent events had occurred which required disclosure in the notes to the financial statements:

Subsequent to June 30, 2016, the School District along with 17 others was audited, as a result of a law passed by the legislature requiring the state to audit school districts who are academically rated C- through F. As a result of the audit the state Education Department cited the School District for violating 19 accreditation benchmarks and recommended an accreditation status downgrade. Subsequently, The Mississippi Commission on School Accreditation on August 16, 2016 voted to place the School District on probation. On Friday, October 28, 2016 school board president Beneta Burt announced the resignation of the School District's superintendent Dr. Cedrick Gray. The School District has appointed interim superintendent Dr. Frederick Murray effective November 17, 2016 until a permanent superintendent is hired.



REQUIRED SUPPLEMENTARY INFORMATION

**JACKSON PUBLIC 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	\$ 74,323,426	\$ 75,057,154	\$ 76,107,244	\$ 733,728	\$ 1,050,090
State sources	126,484,797	126,484,797	129,412,160	-0-	2,927,363
Federal sources	4,367,087	2,286,511	310,155	(2,080,576)	(1,976,356)
Sixteenth section sources	1,346,100	1,346,100	1,378,780	-0-	32,680
Total Revenues	206,521,410	205,174,562	207,208,339	(1,346,848)	2,033,777
<b>Expenditures:</b>					
Instruction	119,523,669	119,796,443	117,464,534	(272,774)	2,331,909
Support services	81,263,991	77,013,242	81,016,320	4,250,749	(4,003,078)
Noninstructional services	66,914	162,762	27,460	(95,848)	135,302
Sixteenth section	146,100	147,600	77,224	(1,500)	70,376
Facilities acquisition and construction	875,000	1,839,839	-0-	(964,839)	1,839,839
Debt service:					
Principal	20,602,700	21,536,065	253,065	(933,365)	21,283,000
Interest	140,000	79,147	71,751	60,853	7,396
Other	25,000	47,771	47,771	(22,771)	-0-
Total Expenditures	222,643,374	220,622,869	198,958,125	2,020,505	21,664,744
Excess (Deficiency) of Revenues over (under) Expenditures	(16,121,964)	(15,448,307)	8,250,214	673,657	23,698,521
<b>Other Financing Sources (Uses):</b>					
Bonds and notes issued	20,000,000	20,000,000	-0-	-0-	(20,000,000)
Insurance recovery	25,000	25,000	17,839	-0-	(7,161)
Payment to QSCB debt escrow agent	-0-	-0-	(1,283,000)	-0-	(1,283,000)
Operating transfers in	6,850,000	7,092,797	3,485,806	242,797	(3,606,991)
Operating transfers out	(11,571,820)	(12,812,379)	(4,210,446)	(1,240,559)	8,601,933
Total Other Financing Sources (Uses)	15,303,180	14,305,418	(1,989,801)	(997,762)	(16,295,219)
Net Change in Fund Balances	(818,784)	(1,142,889)	6,260,413	(324,105)	7,403,302
<b>Fund Balances:</b>					
July 1, 2015, as previously reported	14,866,810	14,866,810	15,191,789	-0-	324,979
Prior period adjustments	332,272	332,190	-0-	(82)	(332,190)
July 1, 2015, as restated	15,199,082	15,199,000	15,191,789	(82)	(7,211)
Increase (Decrease) in inventory	-0-	-0-	19,505	-0-	19,505
June 30, 2016	\$ 14,380,298	\$ 14,056,111	\$ 21,471,707	\$ (324,187)	\$ 7,415,596

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

JACKSON PUBLIC SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET POSITION LIABILITY

For the Year Ended June 30, 2016

Last 10 Fiscal Years\*

	2016	2015
District's proportion of the net pension liability (asset)	\$ 364,433,367	\$ 280,432,367
District's proportionate share of the net pension liability (asset)	2.357567%	2.310335%
District's covered - employee payroll	147,294,095	141,109,054
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	247.42%	198.73%
Plan fiduciary net position as a percentage of the total pension liability	62%	67%

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 PUBLIC SCHOOL DISTRICT****Required Supplementary Information****SCHEDULE OF DISTRICT CONTRIBUTIONS****PERS****Last 10 Fiscal Years**

	2016	2015
Contractually required contribution	\$ 23,757,819	\$ 23,198,820
Contributions in relation to the contractually required contribution	23,757,819	23,198,820
Contribution deficiency (excess)	-0-	-0-
District's covered-employee payroll	150,843,295	147,294,095
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.

The accompanying notes are an integral part of this schedule.

**JACKSON PUBLIC SCHOOL DISTRICT**  
Notes to the Required Supplementary Information

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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 consistent with accounting principles generally accepted in the United States of America.

Pension Schedules

(1) 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 PUBLIC SCHOOL DISTRICT**

**Supplementary Information**

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016**

**Schedule I**

Federal Grantor/ Pass-Through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	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	\$ 5,108,902
National School Lunch Program	10.555	14,675,200
Summer Food Service Program for Children	10.559	275,860
School Fruits & Vegetables	10.582	577,404
Total Child Nutrition Cluster		<u>20,637,366</u>
Total passed-through Mississippi Department of Education		<u>20,637,366</u>
<b>Total U. S. Department of Agriculture</b>		<u>20,637,366</u>
<b><u>U.S. Department of Defense</u></b>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	798,154
<b>Total U.S. Department of Defense</b>		<u>798,154</u>
<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	309,273
<b>Total Federal Communications Commission</b>		<u>309,273</u>
<b><u>U. S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Adult Education - Basic Grants to States	84.002	249,013
Vocational Education - Basic Grants to States	84.048	389,441
Rehabilitation Service	84.126	9,633
Education for Homeless Children and Youth	84.196	203,380
Twenty-first Century Community Learning Centers	84.287	573,046
English Language acquisition grants	85.365	51,989
Teacher Incentive Grant	84.374	206,562
Improving Teacher Quality grant	84.367	2,229,493
Subtotal		<u>3,912,557</u>
Title I Cluster:		
Title I Grants to Local Educational Agencies	84.010	16,480,459
Title VI - State Assessment grants to local educational agencies	84.369	780,558
Total Title I Cluster		<u>17,261,017</u>
Special Education Cluster:		
Special education - grants to states	84.027	6,876,201
Special education - preschool grants	84.173	63,274
Total Special Education Cluster		<u>6,939,475</u>
Total Passed-through Mississippi Department of Education		<u>28,113,049</u>
<b>Total U. S. Department of Education</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	286,372
Total Passed-through Mississippi Department of Education		<u>286,372</u>
<b>Total U. S. Department of Health and Human Services</b>		<u>286,372</u>
<b><u>U. S. Department of Justice</u></b>		
Direct Program:		
RAND Corporation:		
National Institute of Justice Research, Evaluation and Development Project Grant	16.560	336,732
<b>Total U.S. Department of Justice</b>		<u>336,732</u>
Total for All Federal Awards		<u>\$ 50,480,946</u>

See the Independent Auditors' Report on Supplementary Information.

**JACKSON PUBLIC SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE 1. - Schedule of Expenditures of Federal Awards:**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all Federal award programs of Jackson Public School District (the School District) that were received directly from Federal agencies or passed through other entities.

The School District has prepared this Schedule of Expenditures of Federal Awards to comply with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Uniform Guidance stipulates that a Schedule of Expenditures of Federal Awards be prepared showing total expenditures of each Federal award program as identified in the Catalog of Federal Domestic Assistance (CFDA) and for other federal financial awards that have not been assigned a catalog number.

**NOTE 2. - Basis of Presentation:**

The Schedule includes the federal grant activity of the School District and is presented on the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements. The information in this Schedule is presented in accordance with the requirements of Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 3. -** The expenditure amounts include transfers out.

**NOTE 4. -** The pass-through entities did not assign identifying numbers to the School District.

**JACKSON PUBLIC SCHOOL DISTRICT**

**Supplementary Information**

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

**Schedule II**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 208,532,399	\$ 149,621,673	\$ 8,298,270	\$ 15,775,764	\$ 34,836,692
Other	<u>76,800,727</u>	<u>16,945,768</u>	<u>2,265,065</u>	<u>67,734</u>	<u>57,522,160</u>
Total	<u>\$ 285,333,126</u>	<u>\$ 166,567,441</u>	<u>\$ 10,563,335</u>	<u>15,843,498</u>	<u>92,358,852</u>
Total number of students *	<u>27,136</u>				
Cost per student	<u>\$ 10,515</u>	<u>\$ 6,138</u>	<u>\$ 389</u>	<u>\$ 584</u>	<u>\$ 3,404</u>

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

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students.

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

See the Independent Auditors' Report on Supplementary Information.

**OTHER INFORMATION**



**JACKSON PUBLIC SCHOOL DISTRICT**

**Other Information**

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

**Schedule III**

**General Fund**

**Last Four Years**

**UNAUDITED**

	2016	2015*	2014*	2013*
<b>Revenues:</b>				
Local sources	\$ 76,107,244	\$ 76,391,404	\$ 74,210,965	\$ 73,583,689
State sources	129,412,160	123,805,217	122,121,581	120,344,422
Federal sources	310,155	1,519,916	314,018	1,122,646
Sixteenth section sources	1,378,780	1,343,944		
Total Revenues	<u>207,208,339</u>	<u>203,060,481</u>	<u>196,646,564</u>	<u>195,050,757</u>
<b>Expenditures:</b>				
Instruction	117,464,534	116,123,384	111,756,722	114,685,673
Support services	81,016,320	81,069,230	78,379,931	76,255,908
Noninstructional services	27,460	82	26,208	
Sixteenth section	77,224	94,271		
Debt service:				
Principal	253,065	492,458	474,777	692,262
Interest	71,751	78,241	119,923	231,015
Other	47,771		22,158	29,539
Total Expenditures	<u>198,958,125</u>	<u>197,857,666</u>	<u>190,779,719</u>	<u>191,894,397</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>8,250,214</u>	<u>5,202,815</u>	<u>5,866,845</u>	<u>3,156,360</u>
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued				
Insurance loss recovery	17,839	162,542	13,447	43,677
Refunding bonds issued				
Payment held by escrow agent				
Premiums on refunding bonds issued				
Payment to refunded bond escrow agent				
Payment to QZAB/QSCB debt escrow agent	(1,283,000)			(117,884)
Sale of other property		8,600		
Operating transfers in	3,485,806	687,134	1,518,360	10,521,017
Operating transfers out	(4,210,446)	(5,235,565)	(5,460,686)	(4,934,983)
Total Other Financing Sources (Uses)	<u>(1,989,801)</u>	<u>(4,377,289)</u>	<u>(3,928,879)</u>	<u>5,511,827</u>
Net Change in Fund Balances	<u>6,260,413</u>	<u>825,526</u>	<u>1,937,966</u>	<u>8,668,187</u>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	15,191,789	14,031,932	12,560,397	4,275,555
Funds Reclassification		324,223		
Prior period adjustments		(969)	(614,783)	(358,485)
Beginning of period, as restated	<u>15,191,789</u>	<u>14,355,186</u>	<u>11,945,614</u>	<u>3,917,070</u>
Increase (Decrease) in reserve for inventory	19,505	11,077	148,352	(24,860)
End of Period	<u>\$ 21,471,707</u>	<u>\$ 15,191,789</u>	<u>\$ 14,031,932</u>	<u>\$ 12,560,397</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

See the Independent Auditors' Report on Supplementary Information.

## JACKSON PUBLIC SCHOOL DISTRICT

## Other Information

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

## Schedule IV

## All Governmental Funds

## Last Four Years

## UNAUDITED

	2016	2015*	2014*	2013*
<b>Revenues:</b>				
Local sources	\$ 96,193,710	\$ 95,408,797	\$ 85,317,586	\$ 91,114,416
State sources	137,488,022	133,007,521	130,606,389	128,322,424
Federal sources	50,480,946	50,647,538	49,992,481	57,456,134
Sixteenth section sources	1,378,780	1,343,944	1,275,399	1,250,292
Total Revenues	<u>285,541,458</u>	<u>280,407,800</u>	<u>267,191,855</u>	<u>278,143,266</u>
<b>Expenditures:</b>				
Instruction	138,343,161	136,464,355	133,110,416	138,118,300
Support services	101,701,159	105,779,118	101,784,037	100,010,344
Noninstructional services	20,021,064	19,430,964	20,242,253	19,386,670
Sixteenth section	77,224	94,271	118,949	109,113
Facilities acquisition and construction	8,307,586	1,966,884		311,332
Debt service:				
Principal	7,357,379	13,054,904	5,074,952	16,502,659
Interest	7,967,936	9,541,965	6,592,635	5,893,215
Other	1,557,617	13,760	40,518	470,328
Total Expenditures	<u>285,333,126</u>	<u>286,346,221</u>	<u>266,963,760</u>	<u>280,801,961</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>208,332</u>	<u>(5,938,421)</u>	<u>228,095</u>	<u>(2,658,695)</u>
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	15,400,000	-0-	-0-	-0-
Capital leases issued	-0-	-0-	3,999,791	-0-
Insurance recovery	5,657,114	768,724	13,447	868,150
Refunding bonds issued	118,070,000	-0-	-0-	36,165,000
Payments held by escrow agent	1,283,000	-0-	-0-	117,884
Proceeds of loans	-0-	-0-	-0-	-0-
Premiums on bonds and refunding bonds issued	17,907,049	-0-	-0-	3,631,055
Payment to refunded bond escrow agent	(134,665,718)	-0-	-0-	(39,369,801)
Payment to QZAB/QSCB debt escrow agent	(1,283,000)	-0-	-0-	(117,884)
Sale of transportation equipment	-0-	-0-	-0-	-0-
Sale of other property	-0-	8,600	-0-	-0-
Operating transfers in	10,998,901	6,026,146	7,181,677	23,949,265
Other Financing Sources	-0-	-0-	-0-	-0-
Operating transfers out	(10,998,901)	(6,026,146)	(7,181,677)	(23,949,265)
Other financing uses	-0-	-0-	-0-	(250,935)
Total Other Financing Sources	<u>22,368,445</u>	<u>777,324</u>	<u>4,013,238</u>	<u>1,043,469</u>
Extraordinary items			9,258,944	
Net Change in Fund Balances	<u>22,576,777</u>	<u>(5,161,097)</u>	<u>13,500,277</u>	<u>(1,615,226)</u>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	33,836,335	39,056,202	25,868,061	27,283,125
Prior period adjustments	(500,192)	(65,420)	(421,518)	14,191
Beginning of period, as restated	<u>33,336,143</u>	<u>38,990,782</u>	<u>25,446,543</u>	<u>27,297,316</u>
Increase in reserve for inventory	<u>105,802</u>	<u>6,650</u>	<u>109,382</u>	<u>185,971</u>
End of Period	<u>\$ 56,018,722</u>	<u>\$ 33,836,335</u>	<u>\$ 39,056,202</u>	<u>\$ 25,868,061</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

See Independent Auditors' Report on Supplementary Information.

## REPORTS ON INTERNAL CONTROL AND COMPLIANCE



**INDEPENDENT AUDITORS' 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 Public School District  
Jackson, 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 School District, as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise of the School District's basic financial statements, and have issued our report thereon dated March 10, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control. A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**INDEPENDENT AUDITORS' 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  
CONTINUED**

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. We consider the deficiency described in the accompanying schedule of finding as item #2016-001 to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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*.

**The School District's Response to Finding**

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

**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.

  
**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
Jackson, Mississippi

March 10, 2017



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

Superintendent and School Board  
Jackson Public School District  
Jackson, Mississippi

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

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

**Management's Responsibility**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the School District's major federal program 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 could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

**Opinion on Each Major Federal Program**

In our opinion, the 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 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 School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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.

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

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.

*Bruno & Tervalon LLP*  
**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
Jackson, Mississippi

March 10, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND  
REGULATIONS**



**INDEPENDENT AUDITORS' REPORT**  
**ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**

Superintendent and School Board  
Jackson Public School District  
Jackson, Mississippi

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of and for the year ended June 30, 2016, which collectively comprise of the School District's basic financial statements and have issued our report thereon dated March 10, 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 School District reported a zero balance of 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.



**INDEPENDENT AUDITORS' REPORT**  
**ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**  
**CONTINUED**

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.

*Bruno & Tervalon LLP*  
**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
Jackson, Mississippi

March 10, 2017

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JACKSON PUBLIC SCHOOL DISTRICT**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2016

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**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 weaknesses identified?                       | No         |
| b. Significant deficiencies identified?                  | Yes        |
|  |            |
| 3. Noncompliance material to financial statements noted? | No         |

Federal Awards:

- |   |               |
|---|---------------|
| 4. Internal control over major programs:  |               |
| a. Material weaknesses identified?  | No            |
| b. Significant deficiencies 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; 84.173	Special Education Cluster
84.010; 84.369	Title I Cluster
84.287	Twenty-first Century Community Learning Centers
84.048	Vocational Education – Basic Grants to States

- |   |                           |
|---|---------------------------|
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$1,514,428               |
|   |                           |
| 9. Auditee qualified as low-risk auditee                                    | _____ Yes <u>  X  </u> No |

**JACKSON PUBLIC SCHOOL DISTRICT**  
Schedule of Findings and Questioned Costs, Continued  
For the Year Ended June 30, 2016

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**Section II: Financial Statement Findings**

**Audit Finding Reference Number**

**2016-001**

**Criteria**

The capital asset schedule used to calculate depreciation is manual and inadequate. The capital asset software used by the School District to track capital assets should be used to calculate depreciation. As a result, non-depreciable and depreciable capital assets purchased had been incorrectly classified, which caused depreciation expense to be understated. This condition was caused by an incomplete preparation of the large manual spreadsheet application that is utilized to create the depreciation schedule for capital assets. Appropriate adjustments were performed to properly state capital assets at year end.

**Condition**

The School District has not fully integrated their capital asset software from a manual process.

**Cause**

The cause of the condition appears to be the result of accounting system controls are overridden by management's use of a manual process to account for and record its capital asset. Management has designed a rigorous process between its Business Office and Fixed Asset Department for the full implementation and utilization of capital asset software as it relates to recording and accounting for capital assets.

**Effect**

The effect of the condition results in a control deficiency of the district financial reporting as it relates to capital assets.

**Recommendation**

It is recommended that the School District utilize capital asset software that is capable of classifying and depreciating capital assets properly.

**JACKSON PUBLIC SCHOOL DISTRICT**  
Schedule of Findings and Questioned Costs, Continued  
For the Year Ended June 30, 2016

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**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.



Jackson Public School District  
Post Office Box 2338  
Jackson, MS 39225-2338  
Dr. Frederick Murray – Interim Superintendent  
Sharolyn Miller, Chief Financial Officer

AUDITEE'S SUMMARY OF PRIOR YEAR AUDIT FINDINGS

As required by 2 CFR 200.511 (b), the Jackson Public School District has prepared and hereby submits the following summary of prior year audit findings as of June 30, 2016.

Findings	Status
2015-001	Resolved
2015-002	Repeated



Jackson Public School District  
Post Office Box 2338  
Jackson, MS 39225-2338  
Dr. Frederick Murray – Interim Superintendent  
Sharolyn Miller, Chief Financial Officer

### AUDITEE'S CORRECTIVE ACTION PLAN

As required by 2 CFR 200.511 (a), the Jackson Public School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Cost for the year ended June 30, 2016.

#### Finding 2016-001

#### Corrective Action Plan

A. Contact person responsible for corrective action:

Name: Wilton Jackson

Title: Director of Property Accounting and Fixed Assets

B. Description of corrective action planned:

The Business Office will encourage the responsible department to fully implement and utilize the financial system in place to accurately reflect the status of the District's assets and depreciation expense.

C. Anticipated completion date of corrective action:

June 30, 2017

Truly,

Chief Financial Officer