



Hazelhurst City School District

Audited Financial Statements
For the Year Ended June 30, 2017

Fortenberry & Ballard, PC
Certified Public Accountants

**Hazlehurst City School District
TABLE OF CONTENTS**

	PAGE #
INDEPENDENT AUDITOR’S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION	4
MANAGEMENT’S DISCUSSION AND ANALYSIS	8
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Exhibit A - Statement of Net Position	17
Exhibit B - Statement of Activities	18
Governmental Funds Financial Statements	
Exhibit C - Balance Sheet	19
Exhibit C-1 - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	20
Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances	21
Exhibit D-1 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	22
Fiduciary Funds Financial Statements	
Exhibit E - Statement of Fiduciary Net Position	23
Exhibit F - Statement of Changes in Fiduciary Net Position	24
Notes to the Financial Statements	26
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	46
Budgetary Comparison Schedule -Title I Fund	47
Budgetary Comparison Schedule - Teacher/Principal Training/Recruiting Fund	48
Budgetary Comparison Schedule - IDEA, Part B Fund	49
Schedule of the District’s Proportionate Share of the Net Pension Liability	50
Schedule of District Contributions	51
Notes to the Required Supplementary Information	52
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	54
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	55
Notes to the Supplementary Information	56
OTHER INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years	58
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years	59
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	61
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	63
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	67
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	72
AUDITEE’S CORRECTIVE ACTION PLAN AND SUMMARY OF PRIOR YEAR AUDIT FINDINGS	77

FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Hazlehurst City School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hazlehurst City School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Hazlehurst City School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hazlehurst City School District, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 8 to 15 and 46 to 52, 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 Hazlehurst City School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures

applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2018, on our consideration of the Hazlehurst City School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hazlehurst City School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hazlehurst City School District's internal control over financial reporting and compliance.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
July 24, 2018

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

HAZLEHURST CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

The following discussion and analysis of Hazlehurst City School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2017. 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 2017 increased \$811,593, including a prior period adjustment of \$32,568, which represents a 32% increase from fiscal year 2016. Total net position for 2016 increased \$2,442,944, including a prior period adjustment of \$1,107, which represents a 49% increase from fiscal year 2015.
- General revenues amounted to \$11,301,173 and \$10,873,399, or 72% and 73% of all revenues for fiscal years 2017 and 2016, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,485,870, or 28% of total revenues for 2017, and \$4,087,848, or 27% of total revenues for 2016.
- The District had \$15,008,018 and \$12,519,410 in expenses for fiscal years 2017 and 2016; only \$4,485,870 for 2017 and \$4,087,848 for 2016 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$11,301,173 for 2017 and \$10,873,399 for 2016 were adequate to provide for these programs.
- Among major funds, the General Fund had \$11,151,189 in revenues and \$10,556,070 in expenditures for 2017, and \$10,702,789 in revenues and \$9,009,143 in expenditures in 2016. The General Fund's fund balance increased by \$1,416,875 from 2016 to 2017, including a prior period adjustment of \$33,175 and increased by \$1,440,930 from 2015 to 2016.
- Capital assets, net of accumulated depreciation, increased by \$60,488 for 2017 and increased by \$8,263 for 2016. The increase for 2017 was due to the addition of mobile equipment and furniture and equipment.
- Total long-term debt, including compensated absences, increased by \$802,740 for 2017 and decreased by \$208,982 for 2016. The increase for 2017 was due primarily to the issuance of three mill notes payable during the fiscal year. The liability for compensated absences increased by \$9,740 for 2017 and increased by \$15,955 for 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

HAZLEHURST CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

its financial position is improving or deteriorating.

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial

HAZLEHURST CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$1,712,907 as of June 30, 2017.

HAZLEHURST CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

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

Table 1 presents a summary of the District's net position at June 30, 2017 and June 30, 2016.

Table 1
Condensed Statement of Net Position

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Current assets	\$ 10,583,517	\$ 8,764,780	20.75 %
Restricted assets	1,351,646	1,181,149	14.43 %
Capital assets, net	6,192,534	6,132,046	0.99 %
Total assets	<u>18,127,697</u>	<u>16,077,975</u>	12.75 %
Deferred outflows of resources	<u>4,270,084</u>	<u>2,715,258</u>	57.26 %
Current liabilities	126,803	166,260	(23.73) %
Long-term debt outstanding	4,709,989	3,907,249	20.54 %
Net pension liability	18,461,605	15,242,079	21.12 %
Total liabilities	<u>23,298,397</u>	<u>19,315,588</u>	20.62 %
Deferred inflows of resources	<u>812,291</u>	<u>2,002,145</u>	(59.43) %
Net position:			
Net investment in capital assets	2,058,034	2,293,046	(10.25) %
Restricted	3,152,156	2,161,582	45.83 %
Unrestricted	(6,923,097)	(6,979,128)	0.80 %
Total net position (deficit)	<u>\$ (1,712,907)</u>	<u>\$ (2,524,500)</u>	32.15 %

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)	\$ (6,923,097)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	15,003,812
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 8,080,715</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 \$60,488.
- The principal retirement of \$202,000 of long-term debt.
- Recognition of the net pension liability in the amount of \$18,461,605.

HAZLEHURST CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2017 and June 30, 2016 were \$15,787,043 and \$14,961,247, respectively. The total cost of all programs and services was \$15,008,018 for 2017 and \$12,519,410 for 2016.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2017 and June 30, 2016.

Table 2
Changes in Net Position

	<u>Year Ended</u> <u>June 30, 2017</u>	<u>Year Ended</u> <u>June 30, 2016</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 512,703	\$ 214,246	139.31 %
Operating grants and contributions	3,973,167	3,873,602	2.57 %
General revenues:			
Property taxes	4,323,874	3,625,799	19.25 %
Grants and contributions not restricted	6,682,187	6,880,071	(2.88) %
Investment earnings	35,937	7,553	375.80 %
Sixteenth section sources	238,586	320,180	(25.48) %
Other	20,589	39,796	(48.26) %
Total revenues	<u>15,787,043</u>	<u>14,961,247</u>	5.52 %
Expenses:			
Instruction	6,446,198	5,440,842	18.48 %
Support services	5,670,597	5,280,456	7.39 %
Non-instructional	1,066,627	954,770	11.72 %
Sixteenth section	40,374	82,248	(50.91) %
Pension expense	1,681,673	673,082	149.85 %
Interest on long-term liabilities	102,549	88,012	16.52 %
Total expenses	<u>15,008,018</u>	<u>12,519,410</u>	19.88 %
Increase (Decrease) in net position	<u>779,025</u>	<u>2,441,837</u>	(68.10) %
Net Position (Deficit), July 1, as previously reported	<u>(2,524,500)</u>	<u>(4,967,444)</u>	49.18 %
Prior Period Adjustment	<u>32,568</u>	<u>1,107</u>	2,842.01 %
Net Position (Deficit), July 1, as restated	<u>(2,491,932)</u>	<u>(4,966,337)</u>	49.82 %
Net Position (Deficit), June 30	<u>\$ (1,712,907)</u>	<u>\$ (2,524,500)</u>	32.15 %

Governmental activities

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

HAZLEHURST CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2017	2016	
Instruction	\$ 6,446,198	\$ 5,440,842	18.48 %
Support services	5,670,597	5,280,456	7.39 %
Non-instructional	1,066,627	954,770	11.72 %
Sixteenth section	40,374	82,248	(50.91) %
Pension Expense	1,681,673	673,082	149.85 %
Interest on long-term liabilities	102,549	88,012	16.52 %
Total expenses	\$ 15,008,018	\$ 12,519,410	19.88 %

	Net (Expense) Revenue		Percentage Change
	2017	2016	
Instruction	\$ (5,034,825)	\$ (4,136,893)	(21.71) %
Support services	(3,865,464)	(3,672,560)	(5.25) %
Non-instructional	187,799	195,258	(3.82) %
Sixteenth section	(25,436)	(56,273)	54.80 %
Pension Expense	(1,681,673)	(673,082)	(149.85) %
Interest on long-term liabilities	(102,549)	(88,012)	(16.52) %
Total net (expense) revenue	\$ (10,522,148)	\$ (8,431,562)	(24.79) %

- Net cost of governmental activities (\$10,522,148 for 2017 and \$8,431,562 for 2016) was financed by general revenue, which is primarily made up of property taxes (\$4,323,874 for 2017 and \$3,625,799 for 2016) and state and federal revenues (\$6,682,187 for 2017 and \$6,880,071 for 2016). In addition, there was \$238,586 and \$320,180 in Sixteenth Section sources for 2017 and 2016, respectively.
- Investment earnings amounted to \$35,937 for 2017 and \$7,553 for 2016.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$11,872,328, an increase of \$2,036,066, which includes a prior period adjustment of \$32,568 and an increase in inventory of \$5,507. \$8,784,025, or 74% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted or assigned to specific purposes within the general fund. The remaining fund balance of \$3,088,303, or 26% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

HAZLEHURST CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$1,416,875, which includes a prior period adjustment of \$33,175. The fund balance of Other Governmental Funds showed an increase in the amount of \$619,191, which includes a prior period adjustment of (\$607) and an increase in inventory of \$5,507. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Fund	no increase or decrease
Teacher/Principal Training/Recruiting Fund	no increase or decrease
IDEA, Part B Fund	no increase or decrease

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2017, the District's total capital assets were \$11,981,642, including land, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$507,963 from 2016 due primarily to the purchase of five school buses and various other items of mobile equipment and furniture and equipment. Total accumulated depreciation as of June 30, 2017, was \$5,789,108, and total depreciation expense for the year was \$447,475, resulting in total net capital assets of \$6,192,534.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 25,000	\$ 25,000	- %
Buildings	1,725,155	1,774,667	(2.79) %
Building improvements	3,266,174	3,441,573	(5.10) %
Improvements other than buildings	231,380	241,440	(4.17) %
Mobile equipment	818,100	458,848	78.29 %
Furniture and equipment	126,725	190,518	(33.48) %
Total	\$ 6,192,534	\$ 6,132,046	0.99 %

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

Debt Administration. At June 30, 2017, the District had \$4,709,989 in outstanding long-term debt, of which \$252,899 is due within one year. During the fiscal year, the District received proceeds from the issuance of a three mill note payable in the amount of \$995,000. The District made principal payments totaling \$202,000 on outstanding long-term debt. The liability for compensated absences increased \$9,740 from the prior year.

**HAZLEHURST CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Three mill notes payable	\$ 995,000	\$ -	N/A %
Transportation equipment loans payable	-	146,000	(100.00) %
Qualified school construction bonds payable	3,637,000	3,693,000	(1.52) %
Compensated absences payable	77,989	68,249	14.27 %
Total	<u>\$ 4,709,989</u>	<u>\$ 3,907,249</u>	20.54 %

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

CURRENT ISSUES

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

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

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

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, is to be implemented in fiscal year 6/30/2018. At this point, we do not have enough information to judge the impact this will have on this school district.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Hazlehurst City School District, 119 Robert McDaniel Drive, Hazlehurst, MS 39083.

FINANCIAL STATEMENTS

HAZLEHURST CITY SCHOOL DISTRICT

**Statement of Net Position
June 30, 2017**

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 9,594,642
Due from other governments	654,221
Other receivables, net	305,171
Inventories	29,483
Restricted assets	1,351,646
Capital assets, non-depreciable:	
Land	25,000
Capital assets, net of accumulated depreciation:	
Buildings	1,725,155
Building improvements	3,266,174
Improvements other than buildings	231,380
Mobile equipment	818,100
Furniture and equipment	126,725
Total Assets	18,127,697
 Deferred Outflows of Resources	
Deferred outflow related to pensions	4,270,084
Total Deferred Outflows of Resources	4,270,084
 Liabilities	
Accounts payable and accrued liabilities	33,968
Due to other governments	28,867
Interest payable on long-term liabilities	63,968
Long-term liabilities, due within one year:	
Capital related liabilities	154,000
Non-capital related liabilities	98,899
Long-term liabilities, due beyond one year:	
Capital related liabilities	3,980,500
Non-capital related liabilities	476,590
Net pension liability	18,461,605
Total Liabilities	23,298,397
 Deferred Inflows of Resources	
Deferred inflow related to pensions	812,291
Total Deferred Inflows of Resources	812,291
 Net Position	
Net investment in capital assets	2,058,034
Restricted for:	
Expendable:	
School-based activities	944,089
Debt service	1,637,151
Forestry improvements	182,181
Unemployment benefits	30,455
Ad valorem	202,622
Non-expendable:	
Sixteenth section	131,524
Unrestricted	(6,898,963)
Total Net Position (deficit)	\$ (1,712,907)

HAZLEHURST CITY SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 6,446,198	\$ 133,295	\$ 1,278,078	\$ (5,034,825)
Support services	5,670,597	303,495	1,501,638	(3,865,464)
Non-instructional	1,066,627	60,975	1,193,451	187,799
Sixteenth section	40,374	14,938	-	(25,436)
Pension expense	1,681,673	-	-	(1,681,673)
Interest on long-term liabilities	102,549	-	-	(102,549)
Total Governmental Activities	\$ 15,008,018	\$ 512,703	\$ 3,973,167	\$ (10,522,148)

General Revenues:

Taxes:

General purpose levies	4,074,797
Debt purpose levies	249,077

Unrestricted grants and contributions:

State	6,611,525
Federal	70,662
Unrestricted investment earnings	35,937
Sixteenth section sources	238,586
Other	20,589
Total General Revenues	11,301,173

Change in Net Position	779,025
Net Position (Deficit) - Beginning, as previously reported	(2,524,500)
Prior Period Adjustments	32,568
Net Position (Deficit) - Beginning, as restated	(2,491,932)
Net Position (Deficit) - Ending	\$ (1,712,907)

HAZLEHURST CITY SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2017

Exhibit C

	Major Funds					Total Governmental Funds
	General Fund	Title I Fund	Teacher/Principal Training/Recruiting Fund	IDEA, Part B Fund	Other Governmental Funds	
Assets						
Cash and cash equivalents	\$ 8,216,617	\$ -	\$ -	\$ -	\$ 1,510,265	\$ 9,726,882
Cash with fiscal agents	460	-	-	-	1,218,946	1,219,406
Due from other governments	106,702	171,930	38,586	175,092	83,542	575,852
Other receivables, net	305,171	-	-	-	-	305,171
Due from other funds	519,422	1,954	25,624	787	1,232	549,019
Inventories	-	-	-	-	29,483	29,483
Total assets	\$ 9,148,372	\$ 173,884	\$ 64,210	\$ 175,879	\$ 2,843,468	\$ 12,405,813
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 33,922	\$ -	\$ -	\$ -	\$ 46	\$ 33,968
Due to other funds	28,868	173,884	64,210	175,879	56,676	499,517
Total Liabilities	62,790	173,884	64,210	175,879	56,722	533,485
Fund Balances:						
Nonspendable:						
Inventory	-	-	-	-	29,483	29,483
Permanent fund principal	-	-	-	-	131,524	131,524
Restricted:						
Debt service	-	-	-	-	1,701,119	1,701,119
Forestry improvement purposes	-	-	-	-	182,181	182,181
Grant activities	-	-	-	-	121,386	121,386
Unemployment benefits	-	-	-	-	30,455	30,455
Ad valorem	202,622	-	-	-	-	202,622
Food service	-	-	-	-	589,882	589,882
Other purposes	-	-	-	-	716	716
Assigned:						
Activity funds	98,935	-	-	-	-	98,935
Unassigned	8,784,025	-	-	-	-	8,784,025
Total Fund Balances	9,085,582	-	-	-	2,786,746	11,872,328
Total Liabilities and Fund Balances	\$ 9,148,372	\$ 173,884	\$ 64,210	\$ 175,879	\$ 2,843,468	\$ 12,405,813

HAZLEHURST CITY SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2017**

Exhibit C-1

Total fund balances for governmental funds \$ 11,872,328

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	\$ 25,000	
Buildings	4,621,662	
Building improvements	4,384,975	
Improvements other than buildings	251,500	
Mobile equipment	1,917,208	
Furniture and equipment	781,297	
Accumulated depreciation	<u>(5,789,108)</u>	6,192,534

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 (18,461,605)

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	4,270,084	
Deferred inflows of resources related to pensions	<u>(812,291)</u>	(15,003,812)

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:

Qualified school construction bonds payable	(3,637,000)	
Notes payable	(995,000)	
Compensated absences	(77,989)	
Accrued interest payable	<u>(63,968)</u>	(4,773,957)

Net Position of governmental activities \$ (1,712,907)

HAZLEHURST CITY SCHOOL DISTRICT

Governmental Funds

**Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017**

Exhibit D

	Major Funds					Total Governmental Funds
	General Fund	Title I Fund	Teacher/Principal Training/Recruiting Fund	IDEA, Part B Fund	Other Governmental Funds	
Revenues:						
Local sources	\$ 4,252,537	\$ -	\$ -	\$ -	\$ 315,596	\$ 4,568,133
State sources	6,543,343	-	-	-	475,731	7,019,074
Federal sources	118,733	1,126,657	80,396	568,334	1,742,159	3,636,279
Sixteenth section sources	236,576	-	-	-	23,486	260,062
Total Revenues	11,151,189	1,126,657	80,396	568,334	2,556,972	15,483,548
Expenditures:						
Instruction	5,393,416	486,733	8,773	263,226	742,940	6,895,088
Support services	4,869,077	571,936	65,554	302,923	464,007	6,273,497
Noninstructional services	-	22,174	-	-	1,095,378	1,117,552
Sixteenth section	26,895	-	-	-	13,479	40,374
Debt service:						
Principal	202,000	-	-	-	-	202,000
Interest	50,813	-	-	-	30,492	81,305
Other	13,869	-	-	-	-	13,869
Total Expenditures	10,556,070	1,080,843	74,327	566,149	2,346,296	14,623,685
Excess (Deficiency) of Revenues over (under) Expenditures	595,119	45,814	6,069	2,185	210,676	859,863
Other Financing Sources (Uses):						
Notes issued	995,000	-	-	-	-	995,000
Insurance recovery	303,495	-	-	-	-	303,495
Payments held by escrow agent	-	-	-	-	205,969	205,969
Payment to QSCB debt escrow agent	(205,969)	-	-	-	-	(205,969)
Operating transfers in	89,376	-	-	-	260,005	349,381
Operating transfers out	(233,663)	(45,814)	(6,069)	(1,476)	(62,359)	(349,381)
Other financing uses	(159,658)	-	-	(709)	-	(160,367)
Total Other Financing Sources (Uses)	788,581	(45,814)	(6,069)	(2,185)	403,615	1,138,128
Net Change in Fund Balances	1,383,700	-	-	-	614,291	1,997,991
Fund Balances:						
July 1, 2016, as previously reported	7,668,707	-	-	-	2,167,555	9,836,262
Prior period adjustments	33,175	-	-	-	(607)	32,568
July 1, 2016, as restated	7,701,882	-	-	-	2,166,948	9,868,830
Increase (Decrease) in inventory	-	-	-	-	5,507	5,507
June 30, 2017	\$ 9,085,582	\$ -	\$ -	\$ -	\$ 2,786,746	\$ 11,872,328

HAZLEHURST CITY 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, 2017**

Exhibit D-1

Net change in fund balances - total governmental funds \$ 1,997,991

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	\$ 507,963	
Depreciation expense	<u>(447,475)</u>	60,488

2. 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:

Notes issued	(995,000)	
Payments of debt principal	202,000	
Accrued interest payable	<u>(7,375)</u>	(800,375)

3. 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	(1,681,673)	
Recording of contributions made subsequent to the measurement date	<u>1,206,827</u>	(474,846)

4. 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	(9,740)	
Change in inventory	<u>5,507</u>	(4,233)

Change in Net Position of governmental activities		<u><u>\$ 779,025</u></u>
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HAZLEHURST CITY SCHOOL DISTRICT

Fiduciary Funds

**Statement of Fiduciary Net Position
June 30, 2017**

Exhibit E

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 28,610	\$ 623,739
Due from other funds	-	28,867
Other receivables	-	853
Total Assets	28,610	\$ 653,459
Liabilities		
Accounts payable and accrued liabilities		\$ 575,090
Due to other funds		78,369
Total Liabilities		\$ 653,459
Net Position		
Reserved for endowments	28,610	
Total Net Position	\$ 28,610	

HAZLEHURST CITY SCHOOL DISTRICT

Fiduciary Funds

**Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2017**

Exhibit F

	<u>Private-Purpose Trust Funds</u>
Additions	
Total Additions	\$ <u> -</u>
Deductions	
Scholarships awarded	<u> 500</u>
Total Deductions	<u> 500</u>
Change in Net Position	<u> (500)</u>
Net Position	
July 1, 2016	<u> 29,110</u>
June 30, 2017	<u>\$ <u> 28,610</u></u>

Hazlehurst City School District

Notes to the Financial Statements
For the Year Ended June 30, 2017

HAZLEHURST CITY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2017

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

B. Government-wide and Fund Financial Statements

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

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

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

HAZLEHURST CITY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

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

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

The school district reports the following major governmental funds:

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

Title I Fund - This is a special revenue fund that accounts for federal sources received and expenditures incurred related to the District's Title I Program.

Teacher/Principal Training/Recruiting Fund - This is a special revenue fund that accounts for federal sources received and expenditures incurred related to the District's Title II-A Improving Teacher Quality Program.

IDEA, Part B Fund - This is a special revenue fund that accounts for federal sources received and expenditures incurred related to the District's Special Education Program.

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

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

The District's fiduciary funds include the following:

Scholarship Fund - This is a fund used to report a trust arrangement, other than those properly reported elsewhere, in which the principal and income benefit students through the awarding of scholarships.

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

Accounts Payable Clearing Fund - This fund is used as a clearing fund for non-payroll 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.

HAZLEHURST CITY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

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

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

FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

HAZLEHURST CITY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

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

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

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

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

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements

HAZLEHURST CITY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

HAZLEHURST CITY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2017

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 a deferred outflow which is presented as a deferred outflow related to pensions.

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond discounts or premiums and the difference between reacquisition price and the net

HAZLEHURST CITY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

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 district:

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

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

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

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

HAZLEHURST CITY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of not less than 7% of district maintenance revenues. If the unassigned fund balance at fiscal year-end falls below the goal, the 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 district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits and investments are imposed by statutes as follows:

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

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 \$9,726,882 and \$652,349, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk.

HAZLEHURST CITY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2017

In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2017, none of the district's bank balance of \$11,254,033 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 \$1,219,406.

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	Title I Fund	\$ 173,884
	Teacher/Principal Training/Recruiting Fund	64,210
	IDEA, Part B Fund	175,879
	Other governmental funds	56,676
	Fiduciary funds	48,773
Title I Fund	Fiduciary funds	1,954
	Fiduciary funds	25,624
Teacher/Principal Training/Recruiting Fund	Fiduciary funds	787
IDEA, Part B Fund	Fiduciary funds	1
Other governmental funds	General Fund	1,231
	Fiduciary funds	28,867
Fiduciary funds	General Fund	
Total		<u>\$ 577,886</u>

The primary purpose of the inter-fund receivables and payables was to close out federal program funds as part of routine year-end closing procedures. All inter-fund receivables and payables are expected to be repaid within one year.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 233,663
	General Fund	45,814
	General Fund	6,069
	General Fund	1,476
	General Fund	36,017
Other governmental funds	Other governmental funds	26,342
Total		<u>\$ 349,381</u>

Operating transfers were primarily for the following: indirect cost transfers, vocational education expenditure transfers, the transfer of General Funds to debt service funds and unemployment compensation fund, and other routine operating transfers.

HAZLEHURST CITY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2017

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling \$132,240 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district’s programs. In addition, the restricted assets represent the cash with fiscal agent balance totaling \$1,218,946 of the QSCB Debt Service Fund and the cash with fiscal agent balance totaling \$460 in the General Fund resulting from payments to a sinking fund for the repayment of the transportation equipment loan.

Note 5 – Capital Assets

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

	Balance 7/1/2016	Increases	Balance 6/30/2017
Governmental Activities:			
<u>Non-depreciable capital assets:</u>			
Land	\$ 25,000	\$	\$ 25,000
Total non-depreciable capital assets	<u>25,000</u>	-	<u>25,000</u>
<u>Depreciable capital assets:</u>			
Buildings	4,621,662		4,621,662
Building improvements	4,384,975		4,384,975
Improvements other than buildings	251,500		251,500
Mobile equipment	1,433,245	483,963	1,917,208
Furniture and equipment	757,297	24,000	781,297
Total depreciable capital assets	<u>11,448,679</u>	<u>507,963</u>	<u>11,956,642</u>
<u>Less accumulated depreciation for:</u>			
Buildings	2,846,995	49,512	2,896,507
Building improvements	943,402	175,399	1,118,801
Improvements other than buildings	10,060	10,060	20,120
Mobile equipment	974,397	124,711	1,099,108
Furniture and equipment	566,779	87,793	654,572
Total accumulated depreciation	<u>5,341,633</u>	<u>447,475</u>	<u>5,789,108</u>
Total depreciable capital assets, net	<u>6,107,046</u>	<u>60,488</u>	<u>6,167,534</u>
Governmental activities capital assets, net	<u>\$ 6,132,046</u>	<u>\$ 60,488</u>	<u>\$ 6,192,534</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 61,111
Support services	380,092
Non-instructional	6,272
Total depreciation expense	<u>\$ 447,475</u>

HAZLEHURST CITY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2017

Note 6 – Long-term Liabilities

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

	Balance 7/1/2016	Additions	Reductions	Balance 6/30/2017	Amounts due within one year
A. Three mill notes payable	\$ -	\$ 995,000		\$ 995,000	\$ 190,000
B. Transportation equipment loans payable	146,000		146,000	-	-
C. Qualified school construction bonds payable	3,693,000		56,000	3,637,000	59,000
D. Compensated absences payable	68,249	9,740		77,989	3,899
Total	\$ 3,907,249	\$ 1,004,740	\$ 202,000	\$ 4,709,989	\$ 252,899

A. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Notes, Series 2016	2.00%	12/15/2016	12/1/2021	\$ 995,000	\$ 995,000

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 190,000	\$ 27,176	\$ 217,176
2019	195,000	14,150	209,150
2020	200,000	10,200	210,200
2021	205,000	6,150	211,150
2022	205,000	2,050	207,050
Total	\$ 995,000	\$ 59,726	\$ 1,054,726

This debt will be retired from the Limited Tax Note Debt Service Fund.

B. Transportation equipment loans payable

The Transportation Note, Series 2011 issued on 6/28/2011 for \$804,400 was paid in full during the fiscal year from the District Maintenance Fund.

C. 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:

HAZLEHURST CITY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2017

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. QSCB, Series 2009	1.19%	11/24/2009	9/15/2024	\$ 2,865,000	\$ 2,865,000
2. QSCB, Series 2012	5.00%	10/24/2012	10/24/2027	990,000	772,000
Total				<u>\$ 3,855,000</u>	<u>\$ 3,637,000</u>

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

1. QSCB, Series 2009 issued on November 24, 2009:

Year Ending June 30	Principal	Interest	Total
2018	\$ -	\$ 34,094	\$ 34,094
2019	-	34,094	34,094
2020	-	34,094	34,094
2021	-	34,094	34,094
2022	-	34,094	34,094
2023 – 2025	2,865,000	102,279	2,967,279
Total	<u>\$ 2,865,000</u>	<u>\$ 272,749</u>	<u>\$ 3,137,749</u>

This debt will be retired from the Three Mill Note Fund (Debt Service Fund) and Educational Enhancement Building and Buses Fund (Special Revenue Fund).

The School District has pledged a portion of future Educational Enhancement Fund revenues to pay the annual sinking fund payments for the qualified school construction bonds payable. Proceeds of the bonds were used to improve various school facilities. The annual sinking fund payments on the bonds are expected to require 100% of future Educational Enhancement Building and Buses Fund revenues until the final sinking fund payment is made on September 15, 2024.

2. QSCB, Series 2012 issued on October 24, 2012:

Year Ending June 30	Principal	Interest	Total
2018	\$ 59,000	\$ 38,600	\$ 97,600
2019	59,000	35,650	94,650
2020	62,000	32,700	94,700
2021	64,000	29,600	93,600
2022	67,000	26,400	93,400
2023 – 2027	376,000	79,050	455,050
2028	85,000	4,250	89,250
Total	<u>\$ 772,000</u>	<u>\$ 246,250</u>	<u>\$ 1,018,250</u>

This debt will be retired from the District Maintenance Fund (General Fund).

HAZLEHURST CITY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2017

Total qualified school construction bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2018	\$ 59,000	\$ 72,694	\$ 131,694
2019	59,000	69,744	128,744
2020	62,000	66,794	128,794
2021	64,000	63,694	127,694
2022	67,000	60,494	127,494
2023 – 2027	3,241,000	181,329	3,422,329
2028	85,000	4,250	89,250
Total	\$ 3,637,000	\$ 518,999	\$ 4,155,999

D. Compensated absences payable

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

Note 7 – Other Commitments

Operating lease:

The school district has an operating lease for copy/print/fax equipment with Canon Solutions. This agreement is for 48 months starting on July 1, 2014, and ending on June 1, 2018.

Lease expenditures for the year ended June 30, 2017, amounted to \$35,849. Future lease payments for this lease are as follows:

Year Ending June 30	Amount
2018	\$ 39,108

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.

HAZLEHURST CITY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2017 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2017, 2016 and 2015 were \$1,206,827, \$1,041,363 and \$970,222, 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, 2017, the school district reported a liability of \$18,461,605 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2017 net pension liability was 0.103354 percent, which was based on a measurement date of June 30, 2016. This was an increase of 0.004751 percent from its proportionate share used to calculate the June 30, 2016 net pension liability, which was based on a measurement date of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$1,681,673. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

HAZLEHURST CITY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2017

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 508,221	\$
Net difference between projected and actual earnings on pension plan investments	1,211,434	
Changes of assumptions	830,313	49,058
Changes in proportion and differences between District contributions and proportionate share of contributions	513,289	763,233
District contributions subsequent to the measurement date	1,206,827	
Total	<u>\$ 4,270,084</u>	<u>\$ 812,291</u>

\$1,206,827 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2018	\$ 433,351
2019	716,435
2020	736,467
2021	364,713

Actuarial assumptions. The total pension liability in the June 30, 2016 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, 2016 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:

HAZLEHURST CITY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2017

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

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

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 23,671,917	\$ 18,461,605	\$ 14,138,735

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.

HAZLEHURST CITY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2017

Year Ending June 30	Amount
2018	\$ 111,452
2019	77,344
2020	63,358
2021	52,078
2022	50,958
2023 – 2027	230,360
2028 – 2032	212,562
2033 – 2037	161,992
2038 – 2042	53,610
2043 – 2047	4,695
Thereafter	27,826
Total	<u>\$ 1,046,235</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
To write off stale dated ap and payroll checks, record clearing of checks that had been previously written off, and correct prior year receivable balance at the governmental fund level	\$ <u>32,568</u>

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

Fund	Explanation	Amount
General Fund	To write off stale dated ap and payroll checks and also record clearing of checks that had been previously written off	\$ 33,175
Other governmental funds	To correct prior year receivable balance	(607)
Total		<u>\$ 32,568</u>

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.

HAZLEHURST CITY SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

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

Note 12 – Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as described below, the 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.

Participation in Public Entity Risk Pool

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

Note 13 – Qualified School Construction Bonds

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

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental 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 supplemental interest paid on a QSCB. For the year ended June 30, 2017, the subsidy payments amounted to \$34,337.

For the QSCB, Series 2009 issued on November 24, 2009, 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, 2017 was \$1,218,946. The amount accumulated in the sinking fund at the end of the seventeen-year period is expected to be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

HAZLEHURST CITY SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2017

<u>Year Ending June 30</u>		<u>Amount</u>
2018	\$	206,000
2019		206,000
2020		206,000
2021		206,000
2022		206,000
2023 – 2025		618,000
Total	\$	<u>1,648,000</u>

For the QSCB, Series 2012 issued on October 24, 2012, annual principal and interest payments are due on the anniversary of the date of issuance. The interest component consists of the annual interest that accrues at the per annum interest rate approved in the agreement. The district is, however, eligible for a direct cash subsidy to reimburse a portion of the interest paid on the QSCB.

Note 14 - Insurance loss recoveries

The Hazlehurst City School District has accrued insurance loss recoveries at fiscal year-end in the amount of \$303,495 related to hail damage sustained at various school facilities. 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.

Note 15 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$6,923,097) 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 \$1,206,827 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The \$3,063,257 balance of the deferred outflow of resources related to pensions at June 30, 2017 will be recognized as pension expense and will decrease the unrestricted net position amount over the next 4 years. The \$812,291 balance of the deferred inflow of resources related to pensions at June 30, 2017 will be recognized as a reduction of pension expense and will increase the unrestricted net position amount over the next 3 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 Hazlehurst City School District evaluated the activity of the district through, the date the financial statements were available to be issued, and determined no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

HAZLEHURST CITY SCHOOL DISTRICT

Required Supplementary Information

**Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 3,835,834	\$ 4,252,628	\$ 4,252,537	\$ 416,794	\$ (91)
State sources	6,592,108	6,478,942	6,543,343	(113,166)	64,401
Federal sources	389,958	183,133	118,733	(206,825)	(64,400)
Sixteenth section sources	401,482	236,576	236,576	(164,906)	-
Total Revenues	11,219,382	11,151,279	11,151,189	(68,103)	(90)
Expenditures:					
Instruction	5,276,219	5,396,132	5,393,416	(119,913)	2,716
Support services	5,218,769	4,869,077	4,869,077	349,692	-
Sixteenth section	71,100	26,895	26,895	44,205	-
Debt service:					
Principal	168,000	61,034	202,000	106,966	(140,966)
Interest	63,735	247,369	50,813	(183,634)	196,556
Other	-	-	13,869	-	(13,869)
Total Expenditures	10,797,823	10,600,507	10,556,070	197,316	44,437
Excess (Deficiency) of Revenues over (under) Expenditures	421,559	550,772	595,119	129,213	44,347
Other Financing Sources (Uses):					
Notes issued	-	982,563	995,000	982,563	12,437
Insurance recovery	-	303,495	303,495	303,495	-
Payment to QSCB debt escrow agent	-	-	(205,969)	-	(205,969)
Operating transfers in	449,656	316,550	89,376	(133,106)	(227,174)
Operating transfers out	(379,971)	(466,103)	(233,663)	(86,132)	232,440
Other financing uses	-	(159,658)	(159,658)	(159,658)	-
Total Other Financing Sources (Uses)	69,685	976,847	788,581	907,162	(188,266)
Net Change in Fund Balances	491,244	1,527,619	1,383,700	1,036,375	(143,919)
Fund Balances:					
July 1, 2016, as previously reported	8,467,674	7,668,776	7,668,707	(798,898)	(69)
Prior period adjustments	(1,543)	33,106	33,175	34,649	69
July 1, 2016, as restated	8,466,131	7,701,882	7,701,882	(764,249)	-
June 30, 2017	\$ 8,957,375	\$ 9,229,501	\$ 9,085,582	\$ 272,126	\$ (143,919)

HAZLEHURST CITY SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

Title I Fund

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 1,983,199	\$ 1,300,179	\$ 1,126,657	\$ (683,020)	\$ (173,522)
Total Revenues	1,983,199	1,300,179	1,126,657	(683,020)	(173,522)
Expenditures:					
Instruction	624,324	593,994	486,733	30,330	107,261
Support services	603,656	602,942	571,936	714	31,006
Noninstructional services	63,495	49,765	22,174	13,730	27,591
Total Expenditures	1,291,475	1,246,701	1,080,843	44,774	165,858
Excess (Deficiency) of Revenues over (under) Expenditures	691,724	53,478	45,814	(638,246)	(7,664)
Other Financing Sources (Uses):					
Operating transfers out	(53,944)	(53,478)	(45,814)	466	7,664
Total Other Financing Sources (Uses)	(53,944)	(53,478)	(45,814)	466	7,664
Net Change in Fund Balances	637,780	-	-	(637,780)	-
Fund Balances:					
July 1, 2016	-	-	-	-	-
June 30, 2017	\$ 637,780	\$ -	\$ -	\$ (637,780)	\$ -

HAZLEHURST CITY SCHOOL DISTRICT

Required Supplementary Information

**Budgetary Comparison Schedule
Teacher/Principal Training/Recruiting Fund
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 224,202	\$ 213,280	\$ 80,396	\$ (10,922)	\$ (132,884)
Total Revenues	224,202	213,280	80,396	(10,922)	(132,884)
Expenditures:					
Instruction	-	31,956	8,773	(31,956)	23,183
Support services	413,915	170,896	65,554	243,019	105,342
Total Expenditures	413,915	202,852	74,327	211,063	128,525
Excess (Deficiency) of Revenues over (under) Expenditures	(189,713)	10,428	6,069	200,141	(4,359)
Other Financing Sources (Uses):					
Operating transfers out	(15,075)	(10,428)	(6,069)	4,647	4,359
Total Other Financing Sources (Uses)	(15,075)	(10,428)	(6,069)	4,647	4,359
Net Change in Fund Balances	(204,788)	-	-	204,788	-
Fund Balances:					
July 1, 2016	-	-	-	-	-
June 30, 2017	\$ (204,788)	\$ -	\$ -	\$ 204,788	\$ -

HAZLEHURST CITY SCHOOL DISTRICT

Required Supplementary Information

**Budgetary Comparison Schedule
IDEA, Part B Fund
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 632,616	\$ 607,624	\$ 568,334	\$ (24,992)	\$ (39,290)
Total Revenues	632,616	607,624	568,334	(24,992)	(39,290)
Expenditures:					
Instruction	157,413	287,412	263,226	(129,999)	24,186
Support services	448,849	317,110	302,923	131,739	14,187
Noninstructional services	1,800	100	-	1,700	100
Total Expenditures	608,062	604,622	566,149	3,440	38,473
Excess (Deficiency) of Revenues over (under) Expenditures	24,554	3,002	2,185	(21,552)	(817)
Other Financing Sources (Uses):					
Operating transfers out	(22,623)	(2,163)	(1,476)	20,460	687
Other financing uses	-	(839)	(709)	(839)	130
Total Other Financing Sources (Uses)	(22,623)	(3,002)	(2,185)	19,621	817
Net Change in Fund Balances	1,931	-	-	(1,931)	-
Fund Balances:					
July 1, 2016	-	-	-	-	-
June 30, 2017	\$ 1,931	\$ -	\$ -	\$ (1,931)	\$ -

Hazlehurst City School District

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

PERS

Last 10 Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportionate share of the net pension liability (asset) \$	18,461,605	15,242,079	12,642,146
District's proportion of the net pension liability (asset)	0.103354%	0.098603%	0.104152%
District's covered payroll	6,611,829	6,160,140	6,364,197
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.70%	67.21%

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

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

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

Hazlehurst City School District
 Schedule of District Contributions
 PERS
 Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,206,827	1,041,363	970,222
Contributions in relation to the contractually required contribution	1,206,827	1,041,363	970,222
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
District's covered payroll	7,662,394	6,611,829	6,160,140
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%

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

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

Hazlehurst City School District

Notes to the Required Supplementary Information
For the Year Ended June 30, 2017

Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) Changes in benefit provisions

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

(2) Changes of assumptions

2015:

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

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

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

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

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

2016:

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

SUPPLEMENTARY INFORMATION

Hazlehurst City School District
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2017

Schedule 1

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U. S. DEPARTMENT OF AGRICULTURE</u>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 311,841
National School Lunch Program	10.555	881,778
Summer Food Service Program for Children	10.559	17,819
Total Child Nutrition Cluster		<u>1,211,438</u>
Child and Adult Care Food Program	10.558	1,219
Child Nutrition Discretionary Grants Limited Availability	10.579	35,244
Subtotal		<u>36,463</u>
Total passed-through Mississippi Department of Education		<u>1,247,901</u>
Total U. S. Department of Agriculture		<u>1,247,901</u>
<u>U. S. DEPARTMENT OF DEFENSE</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	50,842
Total U. S. Department of Defense		<u>50,842</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	1,580,945
Career and Technical Education - Basic Grants to States	84.048	27,638
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	504
Supporting Effective Instruction State Grants	84.367	80,396
Subtotal		<u>1,689,483</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	564,334
Special Education - Preschool Grants	84.173	9,562
Total Special Education Cluster		<u>573,896</u>
Total passed-through the Mississippi Department of Education		<u>2,263,379</u>
Total U. S. Department of Education		<u>2,263,379</u>
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
Passed-through Mississippi Department of Education		
Medical Assistance Program	93.778	29,955
Total passed-through the Mississippi Department of Education		<u>29,955</u>
Total U. S. Department of Health and Human Services		<u>29,955</u>
TOTAL FOR ALL FEDERAL AWARDS		<u>\$ 3,592,077</u>

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

Hazlehurst City School District

Schedule 2

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2017

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 10,814,137	7,477,813	899,587	590,382	1,846,355
Other	3,809,548	1,076,779	463,192	16,179	2,253,398
Total	\$ <u>14,623,685</u>	<u>8,554,592</u>	<u>1,362,779</u>	<u>606,561</u>	<u>4,099,753</u>
Total number of students *	<u>1,348</u>				
Cost per student	\$ <u>10,848</u>	<u>6,346</u>	<u>1,011</u>	<u>450</u>	<u>3,041</u>

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

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

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

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

Other - includes all expenditures 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

Hazlehurst City School District

Notes to the Supplementary Information
For the Year Ended June 30, 2017

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements; however, the expenditures include transfers out. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Indirect Cost Rate

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

(4) Other Items

The pass-through entities did not assign identifying numbers to the school district.

Donated commodities of \$72,152 are included in the National School Lunch Program.

Schedule of Instructional Administrative and Other Expenditures - Governmental Funds

(1) Basis of Accounting

This schedule is presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements.

OTHER INFORMATION

HAZLEHURST CITY SCHOOL DISTRICT

"UNAUDITED"

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

	2017	2016*	2015*	2014*
Revenues:				
Local sources	\$ 4,252,537	3,551,145	3,355,066	3,618,206
State sources	6,543,343	6,601,708	6,224,270	6,275,704
Federal sources	118,733	228,395	118,098	191,328
Sixteenth section sources	236,576	321,541	538,028	0
Total Revenues	<u>11,151,189</u>	<u>10,702,789</u>	<u>10,235,462</u>	<u>10,085,238</u>
Expenditures:				
Instruction	5,393,416	4,514,182	4,736,522	4,906,969
Support services	4,869,077	4,201,417	3,429,957	3,882,939
Sixteenth section	26,895	40,921	16,368	0
Debt service:				
Principal	202,000	197,000	190,000	183,000
Interest	50,813	0	0	0
Other	13,869	55,623	63,735	71,549
Total Expenditures	<u>10,556,070</u>	<u>9,009,143</u>	<u>8,436,582</u>	<u>9,044,457</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>595,119</u>	<u>1,693,646</u>	<u>1,798,880</u>	<u>1,040,781</u>
Other Financing Sources (Uses):				
Notes issued	995,000	0	0	0
Insurance recovery	303,495	0	0	0
Payment to QSCB debt escrow agent	(205,969)	0	0	0
Operating transfers in	89,376	76,020	49,128	143,982
Operating transfers out	(233,663)	(328,736)	(30,117)	(103,499)
Other financing uses	(159,658)	0	0	0
Total Other Financing Sources (Uses)	<u>788,581</u>	<u>(252,716)</u>	<u>19,011</u>	<u>40,483</u>
Net Change in Fund Balances	<u>1,383,700</u>	<u>1,440,930</u>	<u>1,817,891</u>	<u>1,081,264</u>
Fund Balances:				
July 1, as previously reported	7,668,707	6,227,777	3,437,768	2,368,586
Fund reclassification	0	0	972,290	0
Prior period adjustment	33,175	0	(172)	(12,082)
July 1, as restated	<u>7,701,882</u>	<u>6,227,777</u>	<u>4,409,886</u>	<u>2,356,504</u>
June 30,	<u>\$ 9,085,582</u>	<u>7,668,707</u>	<u>6,227,777</u>	<u>3,437,768</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

HAZLEHURST CITY SCHOOL DISTRICT

"UNAUDITED"

Statement of Revenues, Expenditures and Changes in Fund Balances
 All Governmental Funds
 Last Four Years

	2017	2016*	2015*	2014*
Revenues:				
Local sources	\$ 4,568,133	3,859,761	3,608,497	3,863,324
State sources	7,019,074	7,032,953	6,861,108	6,830,723
Federal sources	3,636,279	3,720,718	2,416,947	3,716,689
Sixteenth section sources	260,062	347,815	576,146	527,453
Total Revenues	<u>15,483,548</u>	<u>14,961,247</u>	<u>13,462,698</u>	<u>14,938,189</u>
Expenditures:				
Instruction	6,895,088	5,961,540	5,582,364	6,152,202
Support services	6,273,497	5,748,396	4,336,681	5,580,012
Noninstructional services	1,117,552	1,004,080	946,900	988,948
Sixteenth section	40,374	82,248	70,033	68,954
Facilities acquisition and construction	0	0	0	105,052
Debt service:				
Principal	202,000	224,937	246,231	237,472
Interest	81,305	90,513	100,395	109,968
Other	13,869	1,489	0	1,432
Total Expenditures	<u>14,623,685</u>	<u>13,113,203</u>	<u>11,282,604</u>	<u>13,244,040</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>859,863</u>	<u>1,848,044</u>	<u>2,180,094</u>	<u>1,694,149</u>
Other Financing Sources (Uses):				
Notes issued	995,000	0	0	0
Insurance recovery	303,495	0	0	0
Payment held by QSCB escrow agent	205,969	205,989	189,989	189,986
Payment to QSCB debt escrow agent	(205,969)	(205,989)	(189,989)	(189,986)
Operating transfers in	349,381	446,948	108,979	377,573
Operating transfers out	(349,381)	(446,948)	(108,979)	(377,573)
Other financing uses	(160,367)	0	(9,589)	(11,782)
Total Other Financing Sources (Uses)	<u>1,138,128</u>	<u>0</u>	<u>(9,589)</u>	<u>(11,782)</u>
Net Change in Fund Balances	1,997,991	1,848,044	2,170,505	1,682,367
Fund Balances:				
July 1, as previously reported	9,836,262	7,982,834	5,809,845	4,142,028
Prior period adjustment	32,568	1,107	(172)	(14,812)
July 1, as restated	<u>9,868,830</u>	<u>7,983,941</u>	<u>5,809,673</u>	<u>4,127,216</u>
Increase (Decrease) in inventory	5,507	4,277	2,656	262
June 30,	<u>\$ 11,872,328</u>	<u>9,836,262</u>	<u>7,982,834</u>	<u>5,809,845</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Hazlehurst City School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hazlehurst City School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Hazlehurst City School District's basic financial statements, and have issued our report thereon dated July 24, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
July 24, 2018

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Hazlehurst City School District

Report on Compliance for Each Major Federal Program

We have audited Hazlehurst City School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Hazlehurst City School District's major federal program for the year ended June 30, 2017. The Hazlehurst City School District's major federal program is identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination on the school district's compliance.

Opinion on Each Major Federal Program

In our opinion, the Hazlehurst City 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 its major federal program for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2017-001. Our opinion on each federal program is not modified with respect to this matter.

Hazlehurst City School District's response to the noncompliance finding identified in our audit is described in the accompanying auditee's corrective action plan. Hazlehurst City School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Hazlehurst City 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 Hazlehurst City 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 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.

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

did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as 2017-001, that we consider to be a significant deficiency.

Hazlehurst City School District's response to the internal control over compliance finding identified in our audit is described in the accompanying auditee's corrective action plan. Hazlehurst City School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
July 24, 2018

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Hazlehurst City School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hazlehurst City School District as of and for the year ended June 30, 2017, which collectively comprise the Hazlehurst City School District's basic financial statements and have issued our report thereon dated July 24, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

Finding 1

Criteria:

Section 29-3-57, Miss. Code Ann. (1972) states, “It is the duty of the Superintendent of Education to collect promptly all rentals due. Upon a sixty (60) day default in payment of any rental accounting to the terms of such lease, the lease shall be declared terminated unless the Board of Education finds extenuating circumstances were presented”.

Condition:

During our test of sixteenth section leases, we identified sixteen out of nineteen leases were more than 60 days past due.

Cause:

The cause of the above condition is primarily due to management noncompliance with Section 29-3-57, Miss. Code Ann. (1972).

Effect:

District’s resources of sixteenth section lease payments were not available for operations.

Recommendation:

We recommend that the District comply with Section 29-3-57, Miss. Code Ann. (1972), that states when leases are in default for more than 60 days from the due date, the lease shall be declared terminated unless the Board of Education funds extenuating circumstances are present.

Response:

Due to extenuating circumstances the Hazlehurst City Board of Trustees has approved delinquent leases to be placed on a payment plan to bring lease payment current. Once the payment plans have been completed, it is the intent of the District to comply with Section 29-3-57, Miss. Code Ann. (1972). If leases are in default for more than 60 days from the due date, the lease shall be declared terminated unless the Board of Education funds extenuating circumstances are present.

Finding 2

Criteria:

The Mississippi Public Employees Retirement System (PERS) requires, under the re-employment provisions of Section 25-11-127, Miss. Code Ann. (1972), school districts hiring PERS service retirees to file PERS Form 4B “Certification/Acknowledgment of Re-employment of Retiree” with the PERS office within five days from the date of employment of the retiree and within five days of termination of employment.

Condition:

During the testing of retired personnel, it was noted that two (2) re-hired employees’ forms were improperly completed. Also they were not filed in the PERS office within five (5) days from the date of re-employment.

Cause:

The school district failed to comply with Section 25-11-127, Miss. Code Ann. (1972).

Effect:

The retirees' retirement income could be affected by the district not filing PERS Form 4B upon re-employment of PERS service retirees each year. In addition, the Mississippi Public Employees Retirement System may assess a penalty per occurrence payable by the district for not filing PERS Form 4B within five days of re-employment and within five days of termination of the service retiree.

Recommendation:

PERS Form 4B must be properly completed and submitted to the PERS office within five (5) days from the date of re-employment and within (5) days from the termination of such re-employment and employees must not be paid in excess of the maximum amount allowed.

Response:

The Human Resources Department will ensure that all hired retired employees will adequately complete the PERS Form 4B and submit forms to the PERS office within five (5) days from the date of re-employment and within (5) days from the termination of re-employment. Human Resources Department will also ensure that employees will not be paid in excess of the maximum amount allowed.

Finding 3

Criteria:

Section 27-105-5, Miss. Code Ann. (1972) requires a public depositor to file an annual report with the State Treasurer that contains the name of the public depositor, its tax identification number and provide a list of all bank accounts that held by that depositor within 30 days of fiscal year end.

Condition:

The school district failed to file an annual report with the State Treasurer within 30 days of fiscal year end.

Cause:

The cause of the above condition is primarily due to management not prioritizing adherence with state compliance.

Effect:

The district was not in compliance with the Section 27-105-5, Miss. Code Ann. (1972).

Recommendation:

We recommend the district comply with Section 27-105-5, Miss. Code Ann. (1972) which requires a public depositor to file an annual report with the State Treasurer that contains the name of the public depositor, its tax identification number and provide a list of all bank accounts that are held by that depositor within 30 days of fiscal year end.

Response:

The District will comply with Section 27-105-5, Miss. Code Ann. (1972) which requires a public depositor to file an annual report with the State Treasurer that contains the name of the public

depositor, its tax identification number and provide a list of all bank accounts that are held by that depositor within 30 days of fiscal year end.

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

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

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
July 24, 2018

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Hazlehurst City School District

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2017

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? Yes.
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)? Yes.
7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies
84.027 & 84.173	Special Education Cluster

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000.
9. Auditee qualified as low-risk auditee? No.

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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

Significant Deficiency and Noncompliance

Finding 2017-001

Program: U. S. Department of Education
Passed-through the Mississippi Department of Education
Supporting Effective Instruction State Grants
CFDA# 84.367

Compliance requirement: Allowable Cost/Cost Principles

Criteria:

(Pre-Uniform Guidance Regulations are applicable as noted below)

Office of Management and Budget (OMB) Circular A-87 Attachment A (C) (1) states, “*Basic Guidelines*”. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- b. Be allocable to Federal awards under the provisions of the Circular.
- c. Be authorized or not prohibited under State or local laws or regulations.
- d. Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
- e. Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- f. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- g. Except as otherwise provided for in this Circular, be determined in accordance with generally accepted accounting principles.
- h. Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation.
- i. Be the net of all applicable credits.
- j. Be adequately documented.

Office of Management and Budget (OMB) Circular A-87 Attachment B (1) (F) (3) states, “Advertising and public relations costs. Unallowable advertising and public relations costs include....costs of promotional items and memorabilia, including models, gifts, and souvenirs.” Office of Management and Budget (OMB) Circular A-87 Attachment A (D) (1) states in part, “The total cost of Federal awards is comprised of the allowable direct cost of the program, plus its allocable portion of allowable indirect costs, less applicable credits.”

Code of Federal Regulations, Title 34 80.20 (b) (6) states, “*Source Documentation.* Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.”

Code of Federal Regulations, Title 34 80.22 (b) states, “For each kind of organization, there is a set of Federal principles for determining allowable costs. For the costs of a state, local, or Indian tribal government, the Secretary applies the cost principles in OMB Circular A-87, as amended on June 9, 1987.”

Condition:

The school district requested funds that are considered unallowable Title I program costs.

Context:

During the course of our audit, we noted the district requested funds in June 2017 based on budgeted and not on actual costs incurred.

Questioned Costs:

\$64,604

Effect:

As a result, the school district is not in compliance with the federal regulations and resulted in repaying the Mississippi Department of Education for excess funds received during the year.

Whether sampling was statically valid:

No.

Repeat Finding:

No.

Cause:

The school district failed to comply with Uniform Guidance regulations.

Recommendation:

The school district should develop and implement policies and procedures to ensure funds are requested on allowable costs only.

Views of Responsible Officials:

In regards to my letter dated August 8, 2017, to the MDE Office of Federal Programs please note as follows:

May 2017 incorrect request for FY16 Title II funds.

As a result of our FY16 Federal Programs monitoring visit, we received a Title II finding and were required to pay questioned costs to the Mississippi Department of Education (MDE) for salaries and benefits paid for a Class Size Reduction teacher. The payment of \$64,603.51 was submitted to MDE on February 28, 2017. We were informed that upon MDE's receipt of the payment, the funds would be placed back in the project for our use.

In the process of submitting our request for funds on June 12, 2017, for the month of May 2017, we entered cumulative expenditures in MCAPS as we have in the past, making no changes to the fields where there were no increases in expenditures. We were not aware and were not advised that we should have "zeroed out" the field for salaries and benefits where we paid the questioned costs. There was also no adjustment on our expenditure report, as this period was closed and no adjustments could be made on our end. As a result, we received \$64,137.96 more than we should have for the month of May 2017.

When we realized we received too much for the month of May, we immediately returned payment to MDE in the amount of \$64,603.51 (to include any interest) on June 30, 2017. It is recommended that, in the future, MDE clearly communicates the effects of how adjustments such as this are reflected in MCAPS. It is also recommended that guidance be provided to districts on what action(s) are required on their part.

We anticipate hearing from you to provide guidance on when and how the payment will be reflected in MCAPS so we can obligate FY16 Title II funds before the spending deadline.

**AUDITEE'S CORRECTIVE ACTION PLAN AND
SUMMARY OF PRIOR YEAR AUDIT FINDINGS**



HAZLEHURST CITY SCHOOL DISTRICT
119 Robert McDaniel Drive
Hazlehurst, MS 39083

Phone: (601)894-1152

Fax: (601) 894-3170

Cloyd Garth Jr., Superintendent

June 28, 2018

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards, the Hazlehurst City 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, 2017:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2017-001	<p>a. Name of Contact Person Responsible for Corrective Action Name: Sherry Terry Phone Number: 601-574-2764</p> <p>b. Corrective Action Planned: The Business Manager will develop and implement policies and procedures to ensure funds are requested on allowable costs only.</p> <p>c. Anticipated Completion Date: June 30, 2018</p>



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Cloyd Garth Jr., Superintendent

June 28, 2018

SUMMARY OF PRIOR AUDIT FINDINGS

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), the Hazlehurst City School District has prepared and hereby submits the following summary of prior year audit findings follow up as of June 30, 2017:

<u>Finding</u>	<u>Status</u>
2016-001	Corrected
2016-002	Corrected