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**NATCHEZ-ADAMS SCHOOL DISTRICT**

**Audited Financial Statements  
For the Year Ended June 30, 2015**

**WITH INDEPENDENT AUDITOR'S REPORT**



**SILAS SIMMONS** LLP

CERTIFIED PUBLIC ACCOUNTANTS *and* ADVISORS

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# NATCHEZ-ADAMS SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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**SILAS SIMMONS** LLP

CERTIFIED PUBLIC ACCOUNTANTS *and* ADVISORS

INDEPENDENT AUDITOR'S REPORT

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Natchez-Adams School District

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**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 Natchez-Adams School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Natchez-Adams School District's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Natchez-Adams School District, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As described in Note 1 to the financial statements, the District has adopted provisions of GASB Statement 68 *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

**Other Matters**

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 7-14, 53, 54, 55, and 56, 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 Natchez-Adams School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), 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 the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) 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, February 24, 2016, on our consideration of the Natchez-Adams School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Natchez-Adams School District's internal control over financial reporting and compliance.

*Silas Simmons, LLP*

Natchez, Mississippi  
February 24, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**NATCHEZ-ADAMS SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015**

The following discussion and analysis of Natchez-Adams School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2015. 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 2015 decreased \$39,913,616, including prior period adjustments of (\$42,972,900) which represents a 100% decrease from fiscal year 2014. Total net position for 2014 increased \$3,343,886, which represents a 10% increase from fiscal year 2013.
- General revenues amounted to \$29,233,607 and \$29,475,404, or 79% and 78% of all revenues for fiscal years 2015 and 2014, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$7,752,849, or 21% of total revenues for 2015, and \$8,259,619, or 22% of total revenues for 2014.
- The District had \$33,927,172 and \$34,391,137 in expenses for fiscal years 2015 and 2014; only \$7,752,849 for 2015 and \$8,259,619 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$29,233,607 for 2015 and \$29,475,404 for 2014 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$28,148,398 in revenues and \$27,210,140 in expenditures for 2015, and \$27,489,437 in revenues and \$25,330,166 in expenditures in 2014. The General Fund's fund balance increased by \$290,096 from 2014 to 2015, including prior period adjustment of (\$383,787) and increased by \$1,827,691 from 2013 to 2014.
- Capital assets, net of accumulated depreciation, decreased by \$543,604 for 2015 and decreased by \$546,245 for 2014. The decrease for 2015 was mainly due to the increase in accumulated depreciation.
- Long-term debt decreased by \$995,555 for 2015 and decreased by \$1,026,771 for 2014. This decrease for 2015 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$63,341 for 2015 and decreased by \$79,533 for 2014.

**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 and liabilities, with the differences between the two reported as "net position." Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event

NATCHEZ-ADAMS SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

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 and interest on long-term liabilities.

#### **Fund Financial Statements**

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

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

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

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

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

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

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

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

NATCHEZ-ADAMS SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

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

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

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

#### **Notes to the financial statements**

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

#### **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the 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 as required by the Governmental Accounting Standards Board.

#### **Supplementary Information**

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 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 \$3,137,649 at June 30, 2015.

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 the depreciation of capital assets.

NATCHEZ-ADAMS SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

Table 1 presents a summary of the District's net position at June 30, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

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

	June 30, 2015	June 30, 2014	Percentage Change
Current assets	\$ 11,817,144	\$ 11,482,892	2.91 %
Restricted assets	18,730,894	18,786,638	-0.30 %
Capital assets, net	13,227,173	13,770,777	-3.95 %
<b>Total assets</b>	<b>43,775,211</b>	<b>44,040,307</b>	<b>-0.60 %</b>
 <b>Deferred outflows of resources</b>	 <b>3,477,199</b>	 <b>-</b>	 <b>N/A %</b>
Current liabilities	3,036,801	3,405,422	-10.82 %
Long-term debt outstanding	2,902,259	3,858,918	-24.79 %
Net pension liability	36,050,362		
<b>Total liabilities</b>	<b>41,989,422</b>	<b>7,264,340</b>	<b>478.02 %</b>
 <b>Deferred inflows of resources</b>	 <b>8,400,637</b>	 <b>-</b>	 <b>N/A %</b>
 <b>Net position:</b>			
Net investment in capital assets	9,654,966	9,203,015	4.91 %
Restricted	20,836,452	20,295,194	2.67 %
Unrestricted	(33,629,067)	7,277,758	-562.08 %
<b>Total net position</b>	<b>\$ (3,137,649)</b>	<b>\$ 36,775,967</b>	<b>-108.53 %</b>

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (33,629,067)
Less unrestricted deficit in net position resulting from recognition of the net pension liability	40,973,800
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 7,344,733</u>

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

- The principal retirement of \$995,555 of long-term debt.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$36,986,456 and \$37,735,023, respectively. The total cost of all programs and services was \$33,927,172 for 2015 and \$34,391,137 for 2014.

NATCHEZ-ADAMS SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

**Table 2**  
**Changes in Net Position**

	Year Ended June 30, 2015	Year Ended June 30, 2014	Percentage Change
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 481,784	\$ 503,714	(4.35) %
Operating grants and contributions	7,421,065	7,755,905	(4.32) %
General revenues:			
Property taxes	12,358,808	12,008,043	2.92 %
Grants and contributions not restricted	15,847,398	16,053,511	(1.28) %
Investment earnings	64,399	351,391	(81.67) %
Sixteenth section sources	547,041	993,209	(44.92) %
Other	265,961	69,250	284.06 %
<b>Total revenues</b>	<b>36,986,458</b>	<b>37,735,023</b>	<b>(1.98) %</b>
<b>Expenses:</b>			
Instruction	15,368,069	17,733,517	(13.34) %
Support services	14,564,137	14,127,656	3.09 %
Non-instructional	2,590,074	2,398,263	8.00 %
Sixteenth section	5,004	9,482	(47.23) %
Pension expense	1,299,511	-	N/A
Interest on long-term liabilities	100,377	122,219	(17.87) %
<b>Total expenses</b>	<b>33,927,172</b>	<b>34,391,137</b>	<b>(1.35) %</b>
<b>Increase (Decrease) in net position</b>	<b>3,059,284</b>	<b>3,343,886</b>	<b>(8.51) %</b>
<b>Net Position, July 1, as previously reported</b>	<b>36,775,967</b>	<b>33,432,081</b>	<b>10.00 %</b>
<b>Prior Period Adjustment</b>	<b>(42,972,900)</b>	<b>-</b>	<b>N/A %</b>
<b>Net Position, July 1, as restated</b>	<b>(8,196,933)</b>	<b>33,432,081</b>	<b>(118.54) %</b>
<b>Net Position, June 30</b>	<b>\$ (3,137,649)</b>	<b>\$ 36,775,967</b>	<b>(108.53) %</b>

**Governmental activities**

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

GASB 68 was implemented in fiscal year 2015. Prior year amounts do not reflect the implementation of GASB 68.



NATCHEZ-ADAMS SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

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

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2015</b>	<b>2014</b>	
Instruction	\$ 15,368,069	\$ 17,733,517	(13.34) %
Support services	14,564,137	14,127,656	3.09 %
Non-instructional	2,590,074	2,398,263	8.00 %
Sixteenth section	5,004	9,482	(47.23) %
Pension Expense	1,299,511	-	N/A %
Interest on long-term liabilities	100,377	122,219	(17.87) %
<b>Total expenses</b>	<b>\$ 33,927,172</b>	<b>\$ 34,391,137</b>	<b>(1.35) %</b>

  

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2015</b>	<b>2014</b>	
Instruction	\$ (12,393,644)	\$ (14,361,923)	(13.70) %
Support services	(12,418,700)	(12,025,534)	3.27 %
Non-instructional	42,913	387,640	(88.93) %
Sixteenth section	(5,004)	(9,482)	(47.23) %
Pension Expense	(1,299,511)	-	N/A %
Interest on long-term liabilities	(100,377)	(122,219)	(17.87) %
<b>Total net (expense) revenue</b>	<b>\$ (26,174,323)</b>	<b>\$ (26,131,518)</b>	<b>0.16 %</b>

- Net cost of governmental activities (\$26,174,323 for 2015 and \$26,131,518 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$12,358,808 for 2015 and \$12,008,043 for 2014) and state and federal revenues (\$15,847,398 for 2015 and \$15,876,452 for 2014). In addition, there was \$547,041 and \$993,209 in Sixteenth Section sources for 2015 and 2014, respectively.
- Investment earnings amounted to \$64,399 for 2015 and \$351,391 for 2014.

## 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 \$28,589,709, an increase of \$622,088, which includes a prior period adjustment of (\$383,787) and an increase in inventory of \$911. \$4,293,180 or 15% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$24,296,529 or 85% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

NATCHEZ-ADAMS SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

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 \$290,096. The fund balance of Other Governmental Funds showed an increase in the amount of \$76,588, which includes an increase in reserve for inventory of \$253, due primarily to increased federal funding. The increase in the fund balance for the other major fund was as follows:

Major Fund	Increase
Sixteenth Section Principal Fund	\$ 295,404

### BUDGETARY HIGHLIGHTS

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

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

### CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2015, the District's total capital assets were \$29,355,908, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$5,608 from 2014. Total accumulated depreciation as of June 30, 2015, was \$16,128,735, and total depreciation expense for the year was \$549,212, resulting in total net capital assets of \$13,227,173.

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

	June 30, 2015	June 30, 2014	Percentage Change
Land	\$ 2,003,222	\$ 2,003,222	0.00 %
Buildings	8,903,691	9,155,230	(2.75) %
Building improvements	1,951,339	2,146,674	(9.10) %
Improvements other than buildings	224,135	235,700	(4.91) %
Mobile equipment	44,679	46,667	(4.26) %
Furniture and equipment	80,824	158,946	(49.15) %
Leased property under capital leases	19,283	24,338	(20.77) %
<b>Total</b>	<b>\$ 13,227,173</b>	<b>\$ 13,770,777</b>	<b>(3.95) %</b>

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

NATCHEZ-ADAMS SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

**Debt Administration.** At June 30, 2015, the District had \$3,942,259 in outstanding long-term debt, of which \$1,040,000 is due within one year. The liability for compensated absences increased \$63,341 from the prior year.

The District maintains a AA bond rating.

**Table 5**  
**Outstanding Long-Term Debt**

	June 30, 2015	June 30, 2014	Percentage Change
General obligation refunding bonds payable	\$ 1,380,000	\$ 1,805,000	(23.55) %
Limited obligation bonds payable	2,180,000	2,745,000	(20.58) %
Obligations under capital leases	12,207	17,762	(31.27) %
Compensated absences payable	370,052	306,711	20.65 %
<b>Total</b>	<b>\$ 3,942,259</b>	<b>\$ 4,874,473</b>	<b>(19.12) %</b>

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

## CURRENT ISSUES

The Natchez-Adams 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 and budgeting are well regarded.

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

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Natchez-Adams School District, 10 Homochitto Street, Natchez, Mississippi 39120.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**NATCHEZ-ADAMS SCHOOL DISTRICT**

**Statement of Net Position  
June 30, 2015**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 9,656,062
Cash with fiscal agents	302,187
Due from other governments	1,571,114
Accrued interest receivable	53,509
Other receivables, net	118,751
Inventories	115,521
Restricted assets	18,730,894
Capital assets, non-depreciable:	
Land	2,003,222
Capital assets, net of accumulated depreciation:	
Buildings	8,903,691
Building improvements	1,951,339
Improvements other than buildings	224,135
Mobile equipment	44,679
Furniture and equipment	80,824
Leased property under capital leases	19,283
Total Assets	<u>43,775,211</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows- pensions	3,477,199
Total deferred outflows of resources	<u>3,477,199</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	1,958,329
Interest payable on long-term liabilities	38,472
Long-term liabilities, due within one year:	
Capital related liabilities	1,020,000
Non-capital related liabilities	20,000
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,552,207
Non-capital related liabilities	350,052
Net pension liability	36,050,362
Total Liabilities	<u>41,989,422</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	8,400,637
Total deferred inflows of resources	<u>8,400,637</u>

# NATCHEZ-ADAMS SCHOOL DISTRICT

## Statement of Net Position

Exhibit A

June 30, 2015

	Governmental Activities
<b>Net Position</b>	
Net investment in capital assets	9,654,966
Restricted for:	
Expendable:	
School-based activities	1,029,686
Debt service	594,397
Forestry improvements	73,015
Unemployment benefits	85,840
Non-expendable:	
Sixteenth section	19,053,514
Other	
Unrestricted	(33,629,067)
Total Net Position	<u>\$ (3,137,649)</u>

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



**NATCHEZ-ADAMS SCHOOL DISTRICT**

**Statement of Activities**

**Exhibit B**

For the Year Ended June 30, 2015

					Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Program Revenues			Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 15,368,069	\$ 234,464	\$ 2,739,961	\$ -	\$ (12,393,644)
Support services	14,564,137	-	2,145,437	-	(12,418,700)
Non-instructional	2,590,074	247,320	2,385,667	-	42,913
Sixteenth section	5,004	-	-	-	(5,004)
Pension expense	1,299,511	-	-	-	(1,299,511)
Interest on long-term liabilities	100,377	-	-	-	(100,377)
Total Governmental Activities	\$ 33,927,172	\$ 481,784	\$ 7,271,065	\$ -	\$ (26,174,323)

**General Revenues:**

**Taxes:**

General purpose levies	\$ 12,358,743
Debt purpose levies	65

**Unrestricted grants and contributions:**

State	15,847,398
Unrestricted investment earnings	64,399
Sixteenth section sources	547,041
Other	415,961
<b>Total General Revenues</b>	<b>29,233,607</b>

Change in Net Position 3,059,284

Net Position - Beginning, as previously reported 36,775,967  
Prior Period Adjustments (42,972,900)

Net Position - Beginning, as restated (6,196,933)

Net Position - Ending \$ (3,137,649)

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

FUND FINANCIAL STATEMENTS

**NATCHEZ-ADAMS SCHOOL DISTRICT**

**Governmental Funds**

**Balance Sheet**  
**June 30, 2015**

**Exhibit C**

	Major Funds		Other	Total
	General	16th Section	Governmental	Governmental
	Fund	Principal Fund	Funds	Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 7,432,108	\$ 354,342	\$ 2,223,954	\$ 10,010,404
Cash with fiscal agents	-	-	302,187	302,187
Investments	-	18,376,552	-	18,376,552
Due from other governments	594,489	-	1,008,748	1,603,237
Accrued interest receivable	-	53,509	-	53,509
Other receivables, net	6,077	-	112,674	118,751
Due from other funds	604,309	-	2,186,048	2,790,357
Advance to other funds	-	269,111	-	269,111
Inventories	79,739	-	35,782	115,521
Total assets	8,716,722	19,053,514	5,869,393	33,639,629
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 1,593,854	\$ -	\$ 364,475	\$ 1,958,329
Due to other funds	2,345,415	-	477,065	2,822,480
Advances from other funds	269,111	-	-	269,111
Total Liabilities	4,208,380	-	841,540	5,049,920

- continued -

**NATCHEZ-ADAMS SCHOOL DISTRICT**

**Governmental Funds**

**Balance Sheet**  
**June 30, 2015**

**Exhibit C**

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	16th Section Fund		
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Inventory	79,739	-	35,782	115,521
Permanent fund principal	-	19,053,514	-	19,053,514
<b>Restricted:</b>				
Debt service	-	-	632,869	632,869
Forestry improvement purposes	-	-	73,015	73,015
Unemployment benefits	-	-	85,840	85,840
Child nutrition	-	-	604,446	604,446
Building repairs	-	-	(434)	(434)
Grant activities	-	-	44,547	44,547
<b>Assigned:</b>				
Student activities	126,965	-	-	126,965
Donations (homeless uniforms, teacher relocation, library supplies, student support, & instruction activities)	2,469	-	345,345	347,814
16th Section interest-school based activities	-	-	3,206,443	3,206,443
Background checks	5,989	-	-	5,989
<b>Unassigned</b>	4,293,180	-	-	4,293,180
Total Fund Balances	4,508,342	19,053,514	5,027,853	28,589,709
Total liabilities, deferred inflows of resources and fund balances	\$ 8,716,722	\$ 19,053,514	\$ 5,869,393	\$ 33,639,629

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

**NATCHEZ-ADAMS SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**June 30, 2015**

**Exhibit C-1**

**Total fund balances for governmental funds** **\$ 28,589,709**

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	\$ 2,003,222	
Buildings	18,903,734	
Building improvements	5,160,541	
Improvements other than buildings	305,533	
Mobile equipment	252,944	
Furniture and equipment	2,700,254	
Leased property under capital leases	29,680	
Accumulated depreciation	<u>(16,128,735)</u>	13,227,173

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

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

Net pension liability	(36,050,362)	
-----------------------	--------------	--

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

Deferred outflows of resources related to pensions	3,477,199	
Deferred inflows of resources related to pensions	<u>(8,400,637)</u>	(40,973,800)

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

General obligation bonds	(1,380,000)	
Limited obligation bonds	(2,180,000)	
Capital lease obligations	(12,207)	
Compensated absences	(370,052)	
Accrued interest payable	<u>(38,472)</u>	(3,980,731)

**Net Position of governmental activities** **\$ (3,137,649)**

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

**NATCHEZ-ADAMS SCHOOL DISTRICT**

**Governmental Funds**

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

**Exhibit D**

**For the Year Ended June 30, 2015**

	Major Funds		Other	Total
	General	16th Section Principal	Governmental	Governmental
	Fund	Fund	Funds	Funds
<b>Revenues:</b>				
Local sources	\$ 12,823,563	\$ -	\$ 454,244	\$ 13,277,807
State sources	15,186,435	-	1,395,323	16,581,758
Federal sources	138,400	-	6,398,305	6,536,705
Sixteenth section sources	-	338,549	251,637	590,186
<b>Total Revenues</b>	<b>28,148,398</b>	<b>338,549</b>	<b>8,499,509</b>	<b>36,986,456</b>
<b>Expenditures:</b>				
Instruction	14,384,140	-	2,781,999	17,166,139
Support services	12,785,570	-	2,316,702	15,102,272
Noninstructional services	28,222	-	2,534,438	2,562,660
Sixteenth section	-	-	5,004	5,004
Debt service:				
Principal	5,555	-	990,000	995,555
Interest	6,653	-	101,959	108,612
Other	-	-	1,250	1,250
<b>Total Expenditures</b>	<b>27,210,140</b>	<b>-</b>	<b>8,731,352</b>	<b>35,941,492</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>over (under) Expenditures</b>	<b>938,258</b>	<b>338,549</b>	<b>(231,843)</b>	<b>1,044,964</b>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	1,117,349	-	449,421	1,566,770
Operating transfers out	(1,382,382)	(43,145)	(141,243)	(1,566,770)
<b>Total Other Financing Sources (Uses)</b>	<b>(265,033)</b>	<b>(43,145)</b>	<b>308,178</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>673,225</b>	<b>295,404</b>	<b>76,335</b>	<b>1,044,964</b>
<b>Fund Balances:</b>				
July 1, 2014, as previously reported	4,218,246	18,756,110	4,951,265	27,927,621
Prior period adjustments	(383,787)	-	-	(383,787)
July 1, 2014, as restated	3,834,459	18,756,110	4,951,265	27,543,834
Increase in reserve for inventory	658	-	253	911
<b>June 30, 2015</b>	<b>\$ 4,508,342</b>	<b>\$ 19,053,514</b>	<b>\$ 5,027,853</b>	<b>\$ 28,589,709</b>

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

**NATCHEZ-ADAMS 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, 2015**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** **\$ 1,044,964**

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	\$ 5,608	
Depreciation expense	<u>(549,212)</u>	(543,604)

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:

Payments of debt principal	995,555	
Accrued interest payable	<u>9,486</u>	1,005,041

3. The statement of activities reports pension expense and other activity related to net pension liability:

Pension expense	(1,299,511)	
Contributions made after the measurement date	<u>2,914,824</u>	1,615,313

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

Change in compensated absences	(63,341)	
Change in inventory reserve	<u>911</u>	(62,430)

**Change in net position of governmental activities** **\$ 3,059,284**

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

**NATCHEZ-ADAMS SCHOOL DISTRICT****Fiduciary Funds****Statement of Fiduciary Assets and Liabilities****Exhibit E****June 30, 2015**

	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 322,350
Due from other funds	59,605
Total Assets	<u>\$ 381,955</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 332,343
Due to other funds	27,482
Due to student clubs	22,130
Total Liabilities	<u>\$ 381,955</u>

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



# NATCHEZ-ADAMS SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2015

### 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 District is considered a "primary government." The District is governed by a five member board to which two are appointed by the Adams County Board of Supervisors and three are appointed by the City of Natchez Board of Aldermen.

For financial reporting purposes, Natchez-Adams 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.

##### Blended component unit

The Natchez-Adams Leasing Authority ("the Authority") as explained in the following paragraph is considered to be a blended component unit as determined by Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* and is included in the district's reporting entity.

The Authority is governed by a six member board which is appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, fund balances, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of 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 and liabilities, with the difference reported as net position. Net position is reported in three categories:

## NATCHEZ-ADAMS SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2015

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

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

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.

Sixteenth Section Principal Fund - This fund contains nonexpendable Sixteenth Section funds. Sources include revenues from easements and right-of-ways, permanent damages, sale of sixteenth section lands, sale of non-renewable resources, sale of buildings, and interest. Funds may be used to purchase investments, purchase lieu lands, loans for school building purposes, forest stand improvements and purchase of school buses.

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

The District's fiduciary funds include the following:

Agency Funds - These funds are composed of club funds and clearing funds.

## NATCHEZ-ADAMS SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2015

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

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

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

#### FIDUCIARY FUNDS

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

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

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

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

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

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

# NATCHEZ-ADAMS SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2015

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

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

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

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

### **D. Encumbrances**

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

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

#### **1. Cash, Cash equivalents and Investments**

##### **Cash and cash equivalents**

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

##### **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.

# NATCHEZ-ADAMS SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2015

Investments for the District are reported at fair market value.

### 2. Receivables and payables

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

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

### 3. Due from Other Governments

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

### 4. Inventories and Prepaid Items

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

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

### 5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16<sup>th</sup> Section Principal fund is not available for use by the 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.

# NATCHEZ-ADAMS SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2015

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

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	\$ n/a	n/a
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.

Deferred outflows related to pensions 3,477,199

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.

Deferred inflows related to pensions 8,400,637

See Note 8 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.

## NATCHEZ-ADAMS SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2015

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

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

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

#### 10. Pensions

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

#### 11. Fund Balances

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

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

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

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

## NATCHEZ-ADAMS SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2015

balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

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

It is the policy of the District, adopted May 12, 2011, to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 7% of District maintenance fund 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.

#### 12. Impact of Recently Issued Accounting Principles

As of June 30, 2014, the District implemented Governmental Accounting Standards Board (GASB) Statement 68 *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, which resulted in a cumulative change in accounting principle and also a restatement of net position, detailed in Note 11.



NATCHEZ-ADAMS SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

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

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

**Deposits.** The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school 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 \$10,010,404 and \$322,350, 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. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

**Cash with Fiscal Agents**

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$302,187.

# NATCHEZ-ADAMS SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2015

### Investments

As of June 30, 2015, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
Fidelity Money Market	No Rating	Less than 1 year	\$ 140,521
<b>Full Faith and Credit Bonds US Treasury Guaranteed</b>			
SBIC 2012, 2013 & 2015 Government Agency Bonds	AAA	5 to 10 years	1,227,406
Federal Home Loan Mortgage Corporation Quarterly Call	AAA	1 to 5 years	849,844
Federal Home Loan Continuous Call	AAA	5 to 10 years	149,135
FFCB Continuous Call	AAA	5 to 10 years	248,595
Federal National Mortgage Association Bullet	AAA	Less than 1 year	969,564
Federal National Mortgage Association Bullet	AAA	1 to 5 years	1,108,073
Federal Home Loan Bullet	AAA	1 to 5 years	224,912
<b>Corporate Bonds</b>			
General Electric Cap Corp	A1	1 to 5 years	100,701
Bank of Montreal	AA3	1 to 5 years	408,948
BB&T Corporation	BAA1	1 to 5 years	202,972
General Electric Capital Corporation	A1	1 to 5 years	387,387
Goldman Sachs Group Inc	A3	1 to 5 years	109,476
Hewlett Packard Co	BAA1	1 to 5 years	408,124
Wells Fargo Co	A2	1 to 5 years	409,136
<b>Taxable Municipal Bonds</b>			
MS Development Bank Special Oblig Bonds Pearl Childre Re	No Rating	Less than 1 year	160,978
MS Development Bank Special Oblig Bonds Dept of Corections	No Rating	1 to 5 years	129,531
MS Development Bank Special Oblig Bonds Lee City Bk Door Go	No Rating	1 to 5 years	95,623
Pike County MS	No Rating	1 to 5 years	99,384
Mississippi St	Aa2	Less than 1 year	256,253
Mississippi Taxable Go	Aa2	Less than 1 year	100,679
MS Development Bk Special Oblig Dept of Corrections Series A	No Rating	1 to 5 years	210,836
Mississippi St	AA2	1 to 5 years	465,294
Mississippi St Dev Bk Splg Oblig Clay City Indl Bldg Proj	No Rating	1 to 5 years	102,548
Choctaw County Miss Go	NR	1 to 5 years	106,973
MS State Taxable Nissan	AA2	1 to 5 years	75,273
MS State Taxable Ser E	AAA	1 to 5 years	150,931
Mississippi St Dev Bk Splg Oblig Clay City SD Go	No Rating	1 to 5 years	53,347
Mississippi State Taxable Ser B	AA2	1 to 5 years	49,680
Mississippi St Dev Dev Bk Special Obligation Pearl Children Road	No Rating	1 to 5 years	120,942

# NATCHEZ-ADAMS SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2015

Mississippi St Dev Bk Spl Oblig Pearl Childre Rd	No Rating	5 to 10 years	111,938
Choctaw County Miss Go	No Rating	5 to 10 years	354,026
Mississippi St Dev Bk Spl Oblig Lee City Bk Door Go	No Rating	5 to 10 years	103,952
Mississippi St Dev Bk Spl Oblig Lee City SD Go	No Rating	5 to 10 years	26,351
Pearl Ms Urban Ren Rev Childre Rd Proj Sink	No Rating	5 to 10 years	252,573
Mississippi Home Corp Single Family Homeowner	AAA	15 to 20 years	168,577
<b>CMOs</b>			
Federal National Mortgage Association	AAA	5 to 10 years	866,981
Federal National Mortgage Association	AAA	10 to 15 years	541,470
Small Business Administration 2007-20J 1	AAA	10 to 15 years	283,239
Federal Home Loan Mortgage Corporation	AAA	10 to 15 years	367,562
Federal National Mortgage Association	AAA	15 to 20 years	85,503
Ginnie Mac Corporation	AAA	20 to 25 years	81,131
Federal National Mortgage Association	AAA	20 to 25 years	150,964
<b>Mortgage Backed Securities</b>			
Federal National Mortgage Association	AAA	1 to 5 years	1,446,829
Federal National Mortgage Association	AAA	5 to 10 years	1,958,870
Federal Home Loan Mortgage Corporation	AAA	5 to 10 years	63,074
Freddie Mac Gold POOL	AAA	5 to 10 years	302,450
Federal National Mortgage Association	AAA	10 to 15 years	810,500
Freddie Mac Gold	AAA	5 to 10 years	496,574
Federal Home Loan Mortgage Corporation Gold Pool	AAA	10 to 15 years	208,589
Freddie Mac Gold	AAA	10 to 15 years	73,654
Federal National Mortgage Association	AAA	15 to 20 years	354,064
Federal Home Loan	AAA	25 to 30 years	144,615
<b>Total</b>			<b>\$ 18,376,552</b>

# NATCHEZ-ADAMS SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2015

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

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

**Custodial Credit Risk - Investments.** Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk.

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

### Note 3 – Inter-fund Receivables, Payables and Transfers

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

#### A. Due From/To Other Funds

General Fund Receivable Fund	Payable Fund	Amount
General Fund	General Fund	\$ 170,498
	Other governmental funds	407,249
	Fiduciary funds	26,562
Other governmental funds	General Fund	2,120,783
	Other governmental funds	64,345
	Fiduciary funds	920
Fiduciary funds	General Fund	54,134
	Other governmental funds	5,471
Total		<u>\$ 2,849,962</u>

The amounts due to/from other funds represent amounts advanced or received, for timing differences between revenues and expenditures, and loans to cover cash deficits.

# NATCHEZ-ADAMS SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2015

### B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Sixteenth Section principal Fund	General Fund	269,111
Total		<u>\$ 269,111</u>

The advance from Sixteenth Section principal fund to general fund is a loan for capital expenditures and repairs.

Sixteenth section principal loans payable

Note: The sixteenth section principal loans payable are not reflected on the Statement of Net Position because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances.

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 9,756	\$ 10,764	\$ 20,520
2017	10,145	10,374	20,519
2018	10,552	9,969	20,521
2019	10,974	9,546	20,520
2020	11,412	9,107	20,519
2021 - 2025	64,285	38,313	102,598
2026 - 2030	78,215	24,386	102,601
2031 - 2035	73,772	7,858	81,630
Total	<u>\$ 269,111</u>	<u>\$ 120,317</u>	<u>\$ 389,428</u>

### C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	General Fund	\$ 976,106
	Other governmental funds	406,276
Sixteenth Section Principal Fund	Other governmental funds	43,145
Other governmental funds	General Fund	141,243
Total		<u>\$ 1,566,770</u>

The transfers represent operating transfers for school operation and transfers for indirect costs, debt service, and unrestricted Sixteenth Section interest earnings.

### Note 4 – Restricted Assets

The restricted assets represent the cash balance and investment balance, totaling \$354,342 and \$18,376,552, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

# NATCHEZ-ADAMS SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2015

### Note 5 – Capital Assets

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

	Balance 7/1/2014	Increases	Decreases	Balance 6/30/2015
<b>Governmental Activities:</b>				
<b>Non-depreciable capital assets:</b>				
Land	\$ 2,003,222	\$ -	\$ -	\$ 2,003,222
Construction-in-progress				-
Total non-depreciable capital assets	2,003,222	-	-	2,003,222
<b>Depreciable capital assets:</b>				
Buildings	18,903,734	-	-	18,903,734
Building improvements	5,160,541	-	-	5,160,541
Improvements other than buildings	305,533	-	-	305,533
Mobile equipment	247,336	5,608	-	252,944
Furniture and equipment	2,700,254	-	-	2,700,254
Leased property under capital leases	29,680	-	-	29,680
Total depreciable capital assets	27,347,078	5,608	-	27,352,686
<b>Less accumulated depreciation for:</b>				
Buildings	9,748,504	251,539	-	10,000,043
Building improvements	3,013,867	195,335	-	3,209,202
Improvements other than buildings	69,833	11,565	-	81,398
Mobile equipment	200,669	7,596	-	208,265
Furniture and equipment	2,541,308	78,122	-	2,619,430
Leased property under capital leases	5,342	5,055	-	10,397
Total accumulated depreciation	15,579,523	549,212	-	16,128,735
Total depreciable capital assets, net	11,767,555	(543,604)	-	11,223,951
Governmental activities capital assets, net	\$ 13,770,777	\$ (543,604)	\$ -	\$ 13,227,173

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 470,449
Support services	51,349
Non-instructional	27,414
Total depreciation expense - Governmental activities	\$ 549,212

# NATCHEZ-ADAMS SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2015

### Note 6 – Long-term Liabilities

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

	Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015	Amounts due within one year
A. General obligation refunding bonds payable	\$ 1,805,000	\$ -	\$ 425,000	\$ 1,380,000	\$ 440,000
B. Limited obligation bonds payable	2,745,000	-	565,000	2,180,000	580,000
C. Obligations under capital leases	17,762		5,555	12,207	
D. Compensated absences payable	306,711	63,341		370,052	20,000
Total	\$ 4,874,473	\$ 63,341	\$ 995,555	\$ 3,942,259	\$ 1,040,000

#### A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
2012 Refunding Bonds	1.61%	5/3/2012	12/30/2017	\$ 2,632,000	\$ 1,380,000
Total				\$ 2,632,000	\$ 1,380,000

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

#### 1. General obligation bond issue of 5/30/2012:

Year Ending June 30	Principal	Interest	Total
2016	\$ 440,000	\$ 24,250	\$ 464,250
2017	460,000	17,650	477,650
2018	480,000	9,600	489,600
Total	\$ 1,380,000	\$ 51,500	\$ 1,431,500

This debt will be retired from the Refunding Bond Series 2012 A & B.

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2015, the amount of outstanding bonded indebtedness was equal to .54% of property assessments as of October 1, 2014.

# NATCHEZ-ADAMS SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2015

### B. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement, Refund Bond Series 2009	2.94%	4/28/2009	2/1/2018	\$ 5,102,500	\$ 2,180,000
Total				\$ 5,102,500	\$ 2,180,000

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

#### 1. Limited obligation bond issue of 4/28/2009:

Year Ending June 30	Principal	Interest	Total
2016	\$ 580,000	\$ 55,566	\$ 635,566
2017	600,000	38,220	638,220
2018	1,000,000	20,212	1,020,212
Total	\$ 2,180,000	\$ 113,998	\$ 2,293,998

This debt will be retired from the MAEP debt service fund.

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



# NATCHEZ-ADAMS SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2015

### C. Obligations under capital leases

The school district has entered into a lease agreement as lessee for financing the acquisition of a delivery truck at a cost of \$29,680. This lease qualifies as a capital lease for accounting purposes.

The various options available to the lessee for this lease are as follows:

1. Option to purchase the equipment at the end of the lease term.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Ford Motor Credit Co.	6.45%	7/3/2013	7/3/2017	\$ 29,680	\$ 12,207
Total				<u>\$ 29,680</u>	<u>\$ 12,207</u>

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2016	\$ -	\$ -	-
2017	5,913	787	6,700
2018	6,294	406	6,700
Total	<u>\$ 12,207</u>	<u>\$ 1,193</u>	<u>\$ 13,400</u>

This debt will be retired from the district maintenance fund.

### 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.

## NATCHEZ-ADAMS SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2015

#### Note 7 – Prior Year Defeasance of Debt

In prior years, the Natchez-Adams School District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the district's financial statements. On June 30, 2015, \$5,340,000 of bonds outstanding are defeased.

#### Note 8 – Defined Benefit Pension Plan

##### General Information about the Pension Plan

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

*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, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2015, 2014 and 2013 were \$2,914,824, \$2,858,360 and \$2,860,420, respectively, which equaled the required contributions for each year.

# NATCHEZ-ADAMS SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2015

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

At June 30, 2015, the school district reported a liability of \$36,050,362 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, 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. At June 30, 2014, The school district's proportion was 0.297 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$1,299,511. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 562,375	\$ 5,225,765
Net difference between projected and actual earnings on pension plan investments	-	-
Changes of assumptions	-	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	3,174,872
District contributions subsequent to the measurement date	2,914,824	-
Total	\$ 3,477,199	\$ 8,400,637

\$2,914,824 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (2,246,188)
2017	(2,246,188)
2018	(2,039,444)
2019	(1,306,441)
2020	-
Thereafter	-

*Actuarial assumptions.* The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 percent
Salary increases	4.25 – 19.50 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

# NATCHEZ-ADAMS SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2015

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013.

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:

<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	100 %	

*Discount rate.* The discount rate used to measure the total pension liability was 8.00 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 rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8 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 (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
District's proportionate share of the net pension liability	\$ 49,147,394	\$ 36,050,362	\$ 25,125,490

*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

# NATCHEZ-ADAMS SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2015

received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30	Amount
2016	\$ 136,249
2017	90,420
2018	77,844
2019	77,844
Total	<u>\$ 382,357</u>

### Note 10 – Deficit Fund Balance of Individual Funds

The Building & Buses Fund has a deficit fund balance in the amount of \$434.

The deficit fund balance is in violation of Section 37-61-19, Miss. Code Ann. (1972). However, this deficit could have been eliminated with a transfer from the District Maintenance Fund (General Fund). Section 37-61-21, Miss. Code Ann. (1972), allows the school board of the school district, with the assistance from the superintendent, to transfer resources to and from functions and funds within the budget when and where needed under certain circumstances.

### Note 11 – Prior Period Adjustments

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

#### Exhibit B - Statement of Activities

Explanation	Amount
1. Implementation of GASB 68 and 71:	\$
Net pension liability (measurement date)	(45,447,473)
Deferred outflows - contributions made during fiscal year 2014	<u>2,858,360</u>
Total prior period adjustment related to GASB 68 and 71	(42,589,113)
2. Correct revenues in prior year	<u>(383,787)</u>
Total	<u>\$ (42,972,900)</u>

# NATCHEZ-ADAMS SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2015

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

Fund	Explanation	Amount
General Fund	To correctly state revenues	\$ (383,787)
Total		<u>\$ (383,787)</u>

### **Note 12 – Contingencies**

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

Litigation – The 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 13 – Risk Management**

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

### **Note 14 – Uncertainties**

In cases where a township is occupied by two or more school districts, state law requires that available sixteenth section funds shall be divided between the school districts lying wholly or partly within such townships in proportion to the number of children enrolled and residing in each school district. In order to determine what portions of available sixteenth section funds are due to or from other school districts, the superintendent of each school district is required to compile lists of such children in compliance with Section 29-3-121, Miss. Code Ann. (1972). Because none of the school districts have been able to calculate the amounts due to the other districts because of the lieu lands location, no division of sixteenth section revenues has been accrued as a receivable or a payable, as the case may be. However, the District and some of the surrounding counties have properly compiled these educable child lists, as required by state law, and are working with legal counsel. Currently, no definitive conclusions have surfaced yet.

Of the townships with which Natchez-Adams School District is shared by other school districts, Natchez-Adams School District has control of some of the sixteenth section property. A portion of the sixteenth section revenues (rents, leases, timber sales, etc.) to which Natchez-Adams School District received on these sections may be due other school districts. In addition, for the other townships where another school district controls the sixteenth section property, Natchez-Adams School District may be entitled to a portion of the sixteenth section revenues that the other school district received.

NATCHEZ-ADAMS SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

**Note 15 - 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 Natchez-Adams School District evaluated the activity of the district through, February 24, 2016, (the date the financial statements were available to be issued), and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements:

A former employee filed a discrimination lawsuit against the District and two of its employees and has resulted in a judgment, during January 2016, in the amount of \$667,916. This matter is currently being pursued by the District with the recent filing of post trial motions. No final assessment has been made about this matter.

REQUIRED SUPPLEMENTARY INFORMATION



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**NATCHEZ-ADAMS SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 13,164,984	\$ 12,396,094	\$ 12,823,563	\$ (768,890)	\$ 427,469
State sources	14,877,878	15,200,340	15,188,435	322,462	(13,905)
Federal sources	269,937	138,400	138,400	(131,537)	-
<b>Total Revenues</b>	<b>28,312,799</b>	<b>27,734,834</b>	<b>28,148,398</b>	<b>(577,965)</b>	<b>413,564</b>
<b>Expenditures:</b>					
Instruction	15,017,347	16,803,418	14,364,140	(1,786,071)	2,419,278
Support services	12,408,144	10,594,867	12,785,570	1,813,277	(2,190,703)
Noninstructional services	3,704	22,720	28,222	(19,016)	(5,502)
Debt service:					
Principal	-	-	5,555	-	(5,555)
Interest	-	-	6,653	-	(6,653)
<b>Total Expenditures</b>	<b>27,429,195</b>	<b>27,421,005</b>	<b>27,210,140</b>	<b>8,190</b>	<b>210,865</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>883,604</b>	<b>313,829</b>	<b>938,258</b>	<b>(569,775)</b>	<b>624,429</b>
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	2,169,027	1,077,148	1,117,349	(1,091,879)	40,201
Operating transfers out	(2,657,260)	(1,384,936)	(1,382,382)	1,272,324	2,554
<b>Total Other Financing Sources (Uses)</b>	<b>(488,233)</b>	<b>(307,788)</b>	<b>(265,033)</b>	<b>180,445</b>	<b>42,755</b>
<b>Net Change in Fund Balances</b>	<b>395,371</b>	<b>6,041</b>	<b>673,225</b>	<b>(389,330)</b>	<b>667,184</b>
<b>Fund Balances:</b>					
July 1, 2014, as previously reported	4,218,246	4,218,246	4,218,246	-	-
Prior period adjustments	-	-	(383,787)	-	(383,787)
July 1, 2014, as restated	4,218,246	4,218,246	3,834,459	-	(383,787)
Increase in reserve for inventory	-	-	658	-	658
<b>June 30, 2015</b>	<b>\$ 4,613,617</b>	<b>\$ 4,224,287</b>	<b>\$ 4,508,342</b>	<b>\$ (389,330)</b>	<b>\$ 284,055</b>

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

**NATCHEZ-ADAMS SCHOOL DISTRICT****Required Supplementary Information****SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
PERS**

	<u>2014</u>
District's proportion of the net pension liability (asset)	0.287%
District's proportionate share of the net pension liability (asset)	\$ 36,050,362
District's covered-employee payroll	18,148,317
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	199%
Plan fiduciary net position as a percentage of the total pension liability	67%

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

**NATCHEZ-ADAMS SCHOOL DISTRICT****Required Supplementary Information****SCHEDULE OF DISTRICT CONTRIBUTIONS****PERS**

	<u>2015</u>
Contractually required contribution	2,914,824
Contributions in relation to the contractually required contribution	\$ 2,914,824
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	18,506,822
Contributions as a percentage of covered-employee payroll	15.75%

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

See Independent Auditor's Report.

NATCHEZ-ADAMS SCHOOL DISTRICT

Notes to the Required Supplementary Information  
For the Year Ended June 30, 2015

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTARY INFORMATION

**NATCHEZ-ADAMS SCHOOL DISTRICT**

**Supplementary Information**

**Schedule of Expenditures of Federal Awards**

**For the Year Ended June 30, 2015**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Fresh fruit and vegetable program	10.582	85,814
Child nutrition cluster:		
School breakfast program	10.553	\$ 624,388
National school lunch program	10.555	1,742,229
Summer food service program for children	10.559	25,677
Total child nutrition cluster		<u>2,478,108</u>
Total passed-through Mississippi Department of Education		<u>2,478,108</u>
<b>Total U.S. Department of Agriculture</b>		<u><b>2,478,108</b></u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	120,328
<b>Total Federal Communications Commission</b>		<u><b>120,328</b></u>
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	69,198
Rural education	84.358	63,184
Improving teacher quality-State Grants	84.367	472,432
Title I grants to local educational agencies	84.010	2,477,915
Subtotal		<u>3,082,729</u>
Special education cluster:		
Special education - grants to states	84.027	763,521
Special education - preschool grants	84.173	49,720
Total special education cluster		<u>813,241</u>
Education for homeless children and youth	84.196	21,223
Total passed-through Mississippi Department of Education		<u>3,917,193</u>
<b>Total U.S. Department of Education</b>		<u><b>3,917,193</b></u>
<b>Total for All Federal Awards</b>		<u><b>\$ 6,515,629</b></u>

**NOTES TO SCHEDULE**

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

See Independent Auditor's Report.

**NATCHEZ-ADAMS SCHOOL DISTRICT**

**Supplementary Information**

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds**  
**For the Year Ended June 30, 2015**

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 25,435,588	14,885,749	1,694,691	2,810,270	6,244,878
Other	10,505,904	8,119,560	549,882	99,647	3,738,815
Total	\$ 35,941,492	21,005,309	2,244,573	2,709,917	9,981,693
Total number of students *	3,118				
Cost per student	\$ 11,527	6,737	720	869	3,201

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

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

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

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

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

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

See Independent Auditor's Report.



OTHER INFORMATION

**NATCHEZ-ADAMS SCHOOL DISTRICT**

**Other Information**

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

**General Fund**

**Last Four Years**

**UNAUDITED**

	2015	2014*	2013*	2012*
<b>Revenues:</b>				
Local sources	\$ 12,823,563	\$ 12,329,131	\$ 11,627,544	\$ 11,322,023
State sources	15,186,435	14,921,642	15,071,697	14,783,099
Federal sources	138,400	238,664	314,180	616,554
Total Revenues	28,148,398	27,489,437	27,013,421	26,721,676
<b>Expenditures:</b>				
Instruction	14,384,140	13,806,846	13,860,331	15,942,451
Support services	12,785,570	11,502,472	12,027,549	11,639,340
Noninstructional services	28,222	1,749	5,257	4,478
Debt service:				
Principal	5,555	11,918	-	-
Interest	6,653	7,181	-	-
Total Expenditures	27,210,140	25,330,166	25,893,137	27,586,269
Excess (Deficiency) of Revenues over (under) Expenditures	938,258	2,159,271	1,120,284	(864,593)
<b>Other Financing Sources (Uses):</b>				
Sale of other property	-	3,000	-	-
Operating transfers in	1,117,349	1,556,622	1,529,971	2,734,819
Operating transfers out	(1,382,382)	(1,891,209)	(2,049,232)	(2,003,313)
Total Other Financing Sources (Uses)	(265,033)	(331,587)	(519,261)	731,506
Net Change in Fund Balances	673,225	1,827,684	601,023	(133,087)
<b>Fund Balances:</b>				
Beginning of period, as previously reported	4,218,246	2,390,555	1,787,592	1,920,808
Prior period adjustments	(383,787)	-	-	-
Beginning of period, as restated	3,834,459	2,390,555	1,787,592	1,920,808
Increase (Decrease) in reserve for inventory	658	7	1,940	(129)
End of Period	\$ 4,508,342	\$ 4,218,246	\$ 2,390,555	\$ 1,787,592

\*SOURCE - PRIOR YEAR AUDIT REPORTS

See Independent Auditor's Report.

**NATCHEZ-ADAMS SCHOOL DISTRICT**

**Other Information**

**Statements of Revenues, Expenditures, and Changes in Fund Balance**

**All Governmental Funds**

**Last Four Years**

**UNAUDITED**

	2015	2014*	2013*	2012*
<b>Revenues:</b>				
Local sources	\$ 13,127,807	\$ 12,629,618	\$ 11,859,552	\$ 11,551,837
Intermediate sources				73,872
State sources	16,581,758	16,402,672	16,764,650	16,619,619
Federal sources	6,686,705	7,372,395	8,386,328	10,436,299
Sixteenth section sources	590,186	1,327,338	981,975	671,980
Total revenues	<u>36,986,456</u>	<u>37,732,023</u>	<u>37,992,505</u>	<u>39,353,607</u>
<b>Expenditures:</b>				
Instruction	17,166,139	17,289,404	18,394,814	21,585,514
Support services	15,102,272	14,101,370	14,933,206	15,101,347
Noninstructional services	2,562,660	2,375,907	2,499,694	2,589,060
Sixteenth Section	5,004	9,482	241,564	12,686
Debt service:				
Principal	995,555	976,918	932,000	3,430,000
Interest	108,612	129,658	128,680	305,086
Advance refunding escrow	1,250	1,250	1,250	42,749
Total expenditures	<u>35,941,492</u>	<u>34,883,989</u>	<u>37,131,208</u>	<u>43,066,442</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,044,964</u>	<u>2,848,034</u>	<u>861,297</u>	<u>(3,712,835)</u>
<b>Other financing sources (uses):</b>				
Refunding bonds issued	-	-	-	2,632,000
Sale of other property	-	3,000	-	-
Operating transfers in	1,566,770	2,881,374	2,888,472	4,010,425
Operating transfers out	(1,566,770)	(2,861,374)	(2,888,472)	(4,010,425)
Total other financing sources (uses)	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>2,632,000</u>
Net change in fund balances	<u>1,044,964</u>	<u>2,851,034</u>	<u>861,297</u>	<u>(1,080,835)</u>
<b>Fund balances:</b>				
Beginning of period, as previously reported	27,927,621	25,072,951	24,210,143	25,328,881
Prior period adjustments	(383,787)	-	(1,963)	(5,731)
Beginning of period, as restated	<u>27,543,834</u>	<u>25,072,951</u>	<u>24,208,180</u>	<u>25,323,150</u>
Increase (decrease) in reserve for inventory	<u>911</u>	<u>3,636</u>	<u>3,474</u>	<u>(32,172)</u>
End of period	<u>\$ 28,589,709</u>	<u>\$ 27,927,621</u>	<u>\$ 25,072,951</u>	<u>\$ 24,210,143</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

See Independent Auditor's Report.

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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**SILAS SIMMONS** LLP

CERTIFIED PUBLIC ACCOUNTANTS *and* ADVISORS

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

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Superintendent and School Board  
Natchez-Adams 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 Natchez-Adams School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Natchez-Adams School District's basic financial statements, and have issued our report thereon dated February 24, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Natchez-Adams 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 Natchez-Adams School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Natchez-Adams 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 Natchez-Adams 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*.

### **Natchez-Adams School District's Response to Findings**

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

### **Purpose of this Report**

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



Natchez, Mississippi  
February 24, 2016



**SILAS SIMMONS** LLP

CERTIFIED PUBLIC ACCOUNTANTS and ADVISORS

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**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A  
DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Superintendent and School Board  
Natchez-Adams School District

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

We have audited Natchez-Adams School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Natchez-Adams School District's major federal programs for the year ended June 30, 2015. Natchez-Adams School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Natchez-Adams 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Natchez-Adams School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, Natchez-Adams School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.



## Report on Internal Control over Compliance

Management of Natchez-Adams 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 Natchez-Adams 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 OMB Circular A-133, 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 Natchez-Adams School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Silas Simmons, LLP*

Natchez, Mississippi  
February 24, 2016

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

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**SILAS SIMMONS** LLP

CERTIFIED PUBLIC ACCOUNTANTS *and* ADVISORS

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

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Superintendent and School Board  
Natchez-Adams School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Natchez-Adams School District as of and for the year ended June 30, 2015, which collectively comprise Natchez-Adams School District's basic financial statements and have issued our report thereon dated February 24, 2016. 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), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the School District is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds". As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

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

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our immaterial finding and recommendation and your response are as follows:

#### Finding 2015-01

The District shares townships with other districts. Section 29-3-119, Miss. Code Ann. (1972), requires that the sixteenth section revenue derived from the shared townships be divided according to the applicable percentage of educable children. Although the District prepared and filed the lists of educable children with the Superintendent, the District has not been able to calculate the amount of revenue derived from the shared townships because it has been unable to determine the location of the lieu lands. Even though the District regularly sends and receives the educable child lists from/to Jefferson and Wilkinson counties, the exact details are unknown and are being investigated further by the District's legal counsel.

#### Recommendation

The District should consult legal counsel to determine the best way to proceed with determining the location of the lieu lands. Once lieu lands are identified, the District should be able to calculate the amount of revenue derived from the shared townships. Revenues can then be divided according to the applicable percentage of educable children once other School Districts comply with state law and file the appropriate lists of educable children.

#### Auditee's Response

The District has determined which townships are shared with other districts and has consulted with Board counsel. The Board counsel has been assigned the duty of identifying lieu lands.

The public accounting firm will review, on the subsequent year's audit engagement, the finding in this report to insure that corrective action has been taken.

The Natchez-Adams School District's responses to the finding included in this report was not audited and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies 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.

*Silas Simmons, LLP*

Natchez, Mississippi  
February 24, 2016

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS



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**NATCHEZ-ADAMS SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**Section I: Summary of Auditor's Results**

**Financial Statements:**

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

**Federal Awards:**

- |    |   |               |
|----|---|---------------|
| 4. | Internal control over major programs:   |               |
| a. | Material weakness(es) identified?   | No            |
| b. | Significant deficiency(ies) identified?   | None reported |
|    |   |               |
| 5. | Type of auditor's report issued on compliance for major programs:   | Unmodified    |
|    |   |               |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? (Yes/No) | No            |

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
CFDA 10.553	School Breakfast Program
CFDA 10.555	National School Lunch Program
CFDA 10.559	Summer Food Service Program for Children
CFDA 84.027	SPED- Grants to States
CFDA 84.173	SPED – Preschool Grants

- |    |  |           |
|----|--|-----------|
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
|    |  |           |
| 9. | Auditee qualified as low-risk auditee? Yes                               |           |

**NATCHEZ-ADAMS SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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

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