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NORTH PANOLA SCHOOL DISTRICT

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



**NORTH PANOLA SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
North Panola School District
Sardis, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Panola School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the North Panola 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 the 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 previously 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 North Panola 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages i to x and 32 to 39, 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 North Panola School District's 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 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 generally accepted in the United States of America. In our opinion, the information 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 November 8, 2017, on our consideration of the North Panola 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 North Panola School District's internal control over financial reporting and compliance.



Williams, Pitts & Beard, PLLC
Hernando, MS
November 8, 2017

MANAGEMENT’S DISCUSSION AND ANALYSIS

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**NORTH PANOLA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

The following discussion and analysis of North Panola 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 \$17,384,385, which represents a 188.85% decrease from fiscal year 2014. This was due to new accounting standards being adopted. Please see Note 1-F in Notes to Financial Statements. Total net position for 2014 increased \$341,477, which represents a 3.85% increase from fiscal year 2013.
- General revenues amounted to \$11,714,211 and \$11,788,054, or 74.72% and 74.23% 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 \$3,963,329, or 25.28% of total revenues for 2015, and \$4,091,485, or 25.77 % of total revenues for 2014.
- The District had \$14,745,651 and \$15,538,062 in expenses for fiscal years 2015 and 2014; only \$3,963,329 for 2015 and \$4,091,485 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$11,714,211 for 2015 and \$11,788,054 for 2014 were adequate to provide for these programs.
- Among major funds, the General Fund had \$11,028,932 in revenues and \$11,193,797 in expenditures for 2015, and \$11,007,084 in revenues and \$11,182,889 in expenditures in 2014. The General Fund's fund balance increased by \$239,027 from 2014 to 2015, and increased by \$57,033 from 2013 to 2014.
- Capital assets, net of accumulated depreciation, decreased by \$37,495 for 2015 and decreased by \$160,076 for 2014.
- Long-term debt decreased by \$43,590 for 2015 and decreased by \$288,066 for 2014. This decrease for 2015 was due primarily to payments on outstanding long-term debt. The liability for compensated absences decreased by \$22,610 for 2015 and decreased by \$ 15,445 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 supplemental information, supplemental 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.

**NORTH PANOLA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

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

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

**NORTH PANOLA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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 Supplemental Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplemental information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue funds required by the Governmental Accounting Standards Board.

Supplemental 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 \$8,178,856 as of June 30, 2015, due to the addition of the net pension liability.

**NORTH PANOLA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED 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 disposal of capital assets and the depreciation of capital assets.

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.

	June 30, 2015	June 30, 2014	Percentage Change
Current assets	\$ 5,310,311	\$ 4,900,273	8.37 %
Restricted assets	480,759	345,414	39.18 %
Capital assets, net	7,409,647	7,447,142	-0.50 %
Total assets	13,200,717	12,692,829	4.00 %
Deferred outflows of resources	1,595,422	20,832	7558.52 %
Current liabilities	237,796	178,961	32.88 %
Long-term debt outstanding	3,285,581	3,329,171	-1.31 %
Net pension liability	16,422,943		
Total liabilities	19,946,320	3,508,132	468.57 %
Deferred inflows of resources	3,028,675		N/A %
Net position:			
Net investment in capital assets	4,217,310	4,239,106	-0.51 %
Restricted	1,488,748	1,249,007	19.19 %
Unrestricted	(13,884,914)	3,717,416	-473.51 %
Total net position	\$ (8,178,856)	\$ 9,205,529	-188.85 %

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)	(8,178,856)
Less unrestricted deficit in net position resulting from recognition of the net pension liability	17,871,747
Unrestricted net position, exclusive of the net pension liability effect	<u>\$9,692,891</u>

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

- Decrease in net capital assets in the amount of \$37,495.
- The principal retirement of \$327,440 of long-term debt.
- The issuance of \$311,192 in capital lease debt.

**NORTH PANOLA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$15,677,540 and \$15,879,539, respectively. The total cost of all programs and services was \$14,745,651 for 2015 and \$15,538,062 for 2014.

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
Revenues:			
Program revenues:			
Charges for services	\$ 211,255	\$ 285,323	(25.96) %
Operating grants and contributions	3,752,074	3,806,162	(1.42) %
Capital Grants and Contributions			N/A %
General revenues:			
Property (and gaming, <i>if applicable</i>) taxes	3,458,124	3,384,234	2.18 %
Grants and contributions not restricted	8,150,798	7,971,487	2.25 %
Investment earnings	19,387	16,083	20.54 %
Sixteenth section sources			N/A %
Other	85,902	416,250	(79.36) %
Total revenues	15,677,540	15,879,539	(1.27) %
Expenses:			
Instruction	7,229,954	8,403,147	(13.96) %
Support services	5,387,773	5,814,342	(7.34) %
Non-instructional	1,086,383	1,097,666	(1.03) %
Sixteenth section			N/A %
Pension expense	879,151		
Interest on long-term liabilities	162,390	222,907	(27.15) %
Total expenses	14,745,651	15,538,062	(5.10) %
Increase (Decrease) in net position	931,889	341,477	172.90 %
Net Position, July 1, as previously reported *	9,205,529	8,864,052	3.85 %
Prior Period Adjustment	(18,316,274)		N/A %
Net Position, July 1, as restated *	(9,110,745)	8,864,052	(202.78) %
Net Position, June 30	\$ (8,178,856)	\$ 9,205,529	(188.85) %

**NORTH PANOLA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

Governmental activities

The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, 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.

**Table 3
Net Cost of Governmental Activities**

	Total Expenses		Percentage Change
	2015	2014	
Instruction	\$ 7,229,954	\$ 8,403,147	(13.96) %
Support services	5,387,773	5,814,342	(7.34) %
Non-instructional	1,086,383	1,097,666	(1.03) %
Pension Expense	879,151		N/A %
Interest on long-term liabilities	162,390	222,907	(27.15) %
Total expenses	\$ 14,745,651	\$ 15,538,062	(5.10) %

	Net (Expense) Revenue		Percentage Change
	2015	2014	
Instruction	\$ (5,189,734)	\$ (6,331,783)	(18.04) %
Support services	(4,740,005)	(4,459,253)	6.30 %
Non-instructional	188,958	(432,634)	(143.68) %
Pension Expense	(879,151)		N/A %
Interest on long-term liabilities	(162,390)	(222,907)	(27.15) %
Total net (expense) revenue	\$ (10,782,322)	\$ (11,446,577)	(5.80) %

- Net cost of governmental activities (\$10,782,322 for 2015 and \$11,446,577 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$3,458,124 for 2015 and \$3,384,234 for 2014) and state and federal revenues (\$8,150,798 for 2015 and \$7,971,487 for 2014).
- Investment earnings amounted to \$19,387 for 2015 and \$16,083 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 \$5,630,277, an increase of \$486,437. \$4,027,520 or 71.53% of the fund balance is unassigned, which represents the residual classification for the General

**NORTH PANOLA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

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 \$1,602,757 or 28.47% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$239,027. The fund balance of Other Governmental Funds showed an increase in the amount of \$146,342. The increase in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Fund	no increase or decrease
School Food Service Fund	\$101,068 (Net of inventory decrease of \$1,930)

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, Title I and major special revenue fund is provided in this report as required supplemental information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2015, the District's total capital assets were \$15,587,899, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$315,257 from 2014. Total accumulated depreciation as of June 30, 2015, was \$8,178,252, and total depreciation expense for the year was \$374,425, resulting in total net capital assets of \$7,409,647.

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Land	\$ 139,509	\$ 139,509	0.00 %
Construction in Progress			N/A %
Buildings	2,970,977	3,027,318	(1.86) %
Building improvements	3,302,026	3,487,146	(5.31) %
Improvements other than buildings	68,166	71,477	(4.63) %
Mobile equipment	358,655	402,924	(10.99) %
Furniture and equipment	67,600	72,174	(6.34) %
Leased property under capital leases	502,714	246,594	103.86 %
Intangible assets			N/A %
Total	\$ 7,409,647	\$ 7,447,142	(0.50) %

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

**NORTH PANOLA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

Debt Administration. At June 30, 2015, the District had \$3,270,030 in outstanding long-term debt, of which \$503,479 is due within one year. The liability for compensated absences decreased \$22,610 from the prior year.

The District maintains an AA bond rating.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Limited obligation bonds payable	805,000	1,055,000	-24%
Obligations under capital leases	438,953	205,201	114%
Qualified school construction bonds payable	1,950,000	1,950,000	0%
Compensated absences payable	77,693	100,303	-23%
Deferred charges/premiums on debt	13,935	18,667	-25%
Total	<u>\$ 3,285,581</u>	<u>\$ 3,329,171</u>	<u>-1%</u>

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

CURRENT ISSUES

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

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

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

Latest enrollment figures indicate that student enrollment of the District will remain fairly close to current enrollment levels. However, should enrollment fluctuate considerably, the budget for the next fiscal year will be adjusted to take into account the impact of such fluctuation, both in terms of funding and staffing needs.

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 North Panola School District, 470 Highway 51 North, Sardis, MS 38666.

BASIC FINANCIAL STATEMENTS

NORTH PANOLA SCHOOL DISTRICT

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

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 4,786,070
Restricted assets	480,759
Investments	4,901
Due from other governments	503,593
Inventories	15,747
Capital assets, non-depreciable:	
Land	139,509
Capital assets, net of accumulated depreciation:	
Buildings	2,970,977
Building improvements	3,302,026
Improvements other than buildings	68,166
Mobile equipment	358,655
Furniture and equipment	67,600
Leased property under capital leases	502,714
Total Assets	<u>13,200,717</u>
Deferred Outflows of Resources	
Loss on bond refunding	15,551
Deferred outflows - pensions	<u>1,579,871</u>
Total deferred outflows of resources	<u>1,595,422</u>
Liabilities	
Accounts payable and accrued liabilities	160,793
Interest payable on long-term liabilities	77,003
Long-term liabilities, due within one year:	
Capital related liabilities	503,479
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,704,409
Non-capital related liabilities	77,693
Net pension liability	<u>16,422,943</u>
Total Liabilities	<u>19,946,320</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	<u>3,028,675</u>
Total deferred inflows of resources	<u>3,028,675</u>
Net Position	
Net investment in capital assets	4,217,310
Restricted for:	
Expendable:	
School- based activities	640,345
Debt service	802,436
Unemployment benefits	45,967
Unrestricted	<u>(13,884,914)</u>
Total Net Position	<u>\$ (8,178,856)</u>

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

NORTH PANOLA SCHOOL DISTRICT

Statement of Activities
June 30, 2015

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 7,229,954	\$ 196,949	\$ 1,843,271	\$ -	\$ (5,189,734)
Support services	5,387,773	-	647,768	-	(4,740,005)
Non-instructional services	1,086,383	14,306	1,261,035	-	188,958
Pension expense	879,151	-	-	-	(879,151)
Interest on long-term liabilities	162,390	-	-	-	(162,390)
Total Governmental Activities	<u>\$ 14,745,651</u>	<u>\$ 211,255</u>	<u>\$ 3,752,074</u>	<u>\$ -</u>	<u>(10,782,322)</u>
General Revenues:					
Taxes:					
General purpose levies					3,206,606
Debt purpose levies					251,518
Unrestricted grants and contributions:					
State					8,078,984
Federal					71,814
Unrestricted investment earnings					19,387
Other					85,902
Total General Revenues					<u>11,714,211</u>
Change in Net Position					<u>931,889</u>
Net Position - Beginning, as previously reported					9,205,529
Prior Period Adjustment					<u>(18,316,274)</u>
Net Position - Beginning, as restated					<u>(9,110,745)</u>
Net Position - Ending					<u>\$ (8,178,856)</u>

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

NORTH PANOLA SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2015

Exhibit C

	Major Funds			Other	Total
	General	Title I	School Food	Governmental	Governmental
	Fund	Fund	Service Fund	Funds	Funds
Assets					
Cash and cash equivalents	\$ 3,849,674	\$ -	\$ 574,681	\$ 361,715	\$ 4,786,070
Cash with fiscal agents	-	-	-	480,759	480,759
Investments	-	-	-	4,901	4,901
Due from other governments	117,033	166,203	-	220,357	503,593
Due from other funds	211,190	-	21,325	13,849	246,364
Inventories	-	-	15,747	-	15,747
Total assets	<u>\$ 4,177,897</u>	<u>\$ 166,203</u>	<u>\$ 611,753</u>	<u>\$ 1,081,581</u>	<u>\$ 6,037,434</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 92,469	\$ 193	\$ 8,546	\$ 59,585	\$ 160,793
Due to other funds	28,682	166,010	-	51,672	246,364
Total Liabilities	<u>121,151</u>	<u>166,203</u>	<u>8,546</u>	<u>111,257</u>	<u>407,157</u>
Fund Balances:					
Nonspendable:					
Inventory	-	-	15,747	-	15,747
Restricted:					
Debt service	-	-	-	879,439	879,439
Special revenues	-	-	-	29,781	29,781
Unemployment benefits	-	-	-	45,967	45,967
Food service	-	-	587,460	7,357	594,817
Assigned					
Activity funds	37,006	-	-	-	37,006
Unassigned	<u>4,019,740</u>	<u>-</u>	<u>-</u>	<u>7,780</u>	<u>4,027,520</u>
Total Fund Balances	<u>4,056,746</u>	<u>-</u>	<u>603,207</u>	<u>970,324</u>	<u>5,630,277</u>
Total Liabilities and Fund Balances	<u>\$ 4,177,897</u>	<u>\$ 166,203</u>	<u>\$ 611,753</u>	<u>\$ 1,081,581</u>	<u>\$ 6,037,434</u>

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

NORTH PANOLA 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 \$ 5,630,277

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	139,509	
Buildings	7,700,637	
Building improvements	4,628,006	
Improvements other than buildings	109,015	
Mobile equipment	1,681,125	
Furniture and equipment	717,690	
Leased property under capital leases	611,916	
Accumulated depreciation	<u>(8,178,251)</u>	7,409,647

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

Net pension liability	(16,422,943)	
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Deferred outflows and inflows of resources related to pensions are applicable to
future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	1,579,871	
Deferred inflows of resources related to pensions	<u>(3,028,675)</u>	(17,871,747)

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

Limited obligation bonds	(805,000)	
Obligations under capital leases	(438,953)	
Qualified construction bonds	(1,950,000)	
Compensated absences	(77,693)	
Unamortized premiums	(13,935)	
Loss on bond refunding	15,551	
Accrued interest payable	<u>(77,003)</u>	<u>(3,347,033)</u>

Net position of governmental activities \$ (8,178,856)

NORTH PANOLA SCHOOL DISTRICT

Governmental Funds

**Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2015**

Exhibit D

	Major Funds			Other	Total
	General Fund	Title I Fund	School Food Service Fund	Governmental Funds	Governmental Funds
Revenues:					
Local sources	\$ 3,471,168	\$ 1,514	\$ 36,166	\$ 261,062	\$ 3,769,910
State sources	7,411,398	-	-	1,178,538	8,589,936
Federal sources	146,366	1,204,850	1,200,770	760,950	3,312,936
Total Revenues	<u>11,028,932</u>	<u>1,206,364</u>	<u>1,236,936</u>	<u>2,200,550</u>	<u>15,672,782</u>
Expenditures:					
Instruction	6,324,707	649,866	-	829,627	7,804,200
Support services	4,834,976	267,188	95,641	884,881	6,082,686
Noninstructional services	-	91,108	966,707	66,273	1,124,088
Facilities acquisition and construction	-	-	-	-	-
Debt service:					
Principal	28,779	-	-	298,661	327,440
Interest	5,335	-	-	156,617	161,952
Total Expenditures	<u>11,193,797</u>	<u>1,008,162</u>	<u>1,062,348</u>	<u>2,236,059</u>	<u>15,500,366</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(164,865)</u>	<u>198,202</u>	<u>174,588</u>	<u>(35,509)</u>	<u>172,416</u>
Other Financing Sources (Uses):					
Capital leases issued	311,192	-	-	-	311,192
Insurance loss recoveries	-	-	-	-	-
Operating transfers in	97,941	-	-	231,876	329,817
Other financing sources	4,759	-	-	-	4,759
Operating transfers out	(10,000)	(198,202)	(71,590)	(50,025)	(329,817)
Total Other Financing Sources (Uses)	<u>403,892</u>	<u>(198,202)</u>	<u>(71,590)</u>	<u>181,851</u>	<u>315,951</u>
Net Change in Fund Balances	239,027	-	102,998	146,342	488,367
Fund Balances:					
July 1, 2014	3,817,719	-	502,139	823,982	5,143,840
Increase (decrease) in reserve for inventory	-	-	(1,930)	-	(1,930)
June 30, 2015	<u>\$ 4,056,746</u>	<u>\$ -</u>	<u>\$ 603,207</u>	<u>\$ 970,324</u>	<u>\$ 5,630,277</u>

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

NORTH PANOLA 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 **\$ 488,367**

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

1. Governmental funds report capital outlays 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	337,148
Depreciation expense	(374,425)

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold.

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3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, 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 is first issued. These amounts are deferred and amortized in the statement of activities:

Payments of debt principal	327,440
Capital leases issued	(311,192)
Accrued interest payable	111
Deferred charges on refunding	(5,281)

4. Pension expense relating to GASB 68 (879,151)
Pension contributions made subsequent to the measurement date 1,323,678

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	22,610
Change in inventory reserve	(1,930)
Amortization of deferred charges, premiums and discounts	<u>4,732</u>

Change in net position of governmental activities **\$ 931,889**

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

NORTH PANOLA SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2015

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	<u>\$ 479,138</u>
Total Assets	<u><u>\$ 479,138</u></u>
Liabilities	
Accounts payable and accrued liabilities	\$ 467,988
Due to student clubs	<u>11,150</u>
Total Liabilities	<u><u>\$ 479,138</u></u>

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

NORTH PANOLA SCHOOL DISTRICT

Notes to the Financial Statements For the 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 school district is considered a "primary government." The school district is governed by a five member board to which each member is elected by the citizens of each defined county district.

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

B. Government-wide and Fund Financial Statements

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

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

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consist 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.

NORTH PANOLA SCHOOL DISTRICT

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

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

The school district reports the following major governmental funds:

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

Title I Fund – This fund is used to account for the proceeds of Title I funds from the federal government that are programmatically and legally restricted to expenditures for specified purposes.

School Food Service Fund – This fund is a special revenue fund that accounts for food distribution under the national school breakfast and lunch programs.

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

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.

NORTH PANOLA SCHOOL DISTRICT

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

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

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

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

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

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

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

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

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

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

D. Encumbrances

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

NORTH PANOLA SCHOOL DISTRICT

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

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.

NORTH PANOLA SCHOOL DISTRICT

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified School Construction Bond sinking funds.

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	\$ -	-
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 4 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 future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The district has a deferred outflow for pensions and from advance refunding debt.

NORTH PANOLA SCHOOL DISTRICT

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

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 are future pension related.

See Note 7 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

11. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Estimates are used when accounting for receivables, pension expense and liabilities, and depreciation. Accordingly, actual results could differ from those estimates.

NORTH PANOLA SCHOOL DISTRICT

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

12. Fund Balances

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

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

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

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

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 Conservator, Superintendent and Business Manager pursuant to authorization established by the school district.

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

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

F. Changes in Accounting Standards

The school district adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date* during the fiscal year ended June 2015, which changed the method of accounting for pension plans. As a result of these new Statements, PERS is responsible for the pension plan assets and the school district is responsible for future benefits in excess of those covered assets. Also see the notes for the prior period adjustment, Note 12, and for pensions, Note 7.

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:

NORTH PANOLA SCHOOL DISTRICT

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

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 \$4,786,070 and \$479,138, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$480,759.

Investments

As of June 30, 2014, the district had the following investments.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
Money Market Mutual Funds	AAAm	less than 1	\$ 4,901

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.

NORTH PANOLA SCHOOL DISTRICT

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

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 possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. The investments in the Money Market Mutual Funds are uninsured and unregistered and are not backed by the full faith and credit of the federal government.

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Title I fund	\$ 165,401
	Other governmental funds	45,789
School food service	General fund	15,442
	Other governmental funds	5,883
Other governmental	General fund	13,240
	Title I fund	609
Total		<u>\$ 246,364</u>

The purpose of the inter-fund loans was to cover federal funds not received prior to year-end. All inter-fund balances are expected to be repaid within one year.

B. Inter-fund Transfers

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General fund	Other governmental funds	\$ 26,351
	School food service fund	71,590
Other governmental funds	General fund	10,000
	Title I fund	198,202
	Other governmental funds	<u>23,674</u>
Total		<u>\$ 329,817</u>

The principal purpose of inter-fund transfers was for indirect cost or to provide funds for daily operations. All transfers were consistent with the activities of the fund making the transfer.

NORTH PANOLA SCHOOL DISTRICT

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

Note 4 – Restricted Assets

In addition, the restricted assets represent the cash balance, totaling \$480,759 of the QSCB Bond Retirement Fund.

Note 5 – Capital Assets

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

	Balance 7/1/2014	Additions	Retirements	Balance 6/30/2015
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 139,509	\$ -	\$ -	\$ 139,509
Total non-depreciable capital assets	<u>139,509</u>	<u>-</u>	<u>-</u>	<u>139,509</u>
<u>Depreciable capital assets:</u>				
Buildings	7,700,637	-	-	7,700,637
Building improvements	4,628,006	-	-	4,628,006
Improvements other than buildings	109,015	-	-	109,015
Mobile equipment	1,672,572	8,553	-	1,681,125
Furniture and equipment	722,179	17,403	21,892	717,690
Leased property under capital leases	300,724	311,192	-	611,916
Total depreciable capital assets	<u>15,133,133</u>	<u>337,148</u>	<u>21,892</u>	<u>15,448,389</u>
<u>Less accumulated depreciation for:</u>				
Buildings	4,673,319	56,341	-	4,729,660
Building improvements	1,140,860	185,120	-	1,325,980
Improvements other than buildings	37,538	3,311	-	40,849
Mobile equipment	1,269,648	52,822	-	1,322,470
Furniture and equipment	650,005	21,759	21,674	650,090
Leased property under capital leases	54,130	55,072	-	109,202
Total accumulated depreciation	<u>7,825,500</u>	<u>374,425</u>	<u>21,674</u>	<u>8,178,251</u>
Total depreciable capital assets, net	<u>7,307,633</u>	<u>(37,277)</u>	<u>218</u>	<u>7,270,138</u>
Governmental activities capital assets, net	<u>\$ 7,447,142</u>	<u>\$ (37,277)</u>	<u>\$ 218</u>	<u>\$ 7,409,647</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Governmental activities:	
Instruction	\$ 262,098
Support services	101,095
Non-instructional	<u>11,232</u>
Total Depreciation Expense	<u>\$ 374,425</u>

NORTH PANOLA SCHOOL DISTRICT

Notes to the Financial Statements For the 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 <u>7/1/2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/2015</u>	Amounts due within one year
A. Limited obligation bonds payable	\$ 1,055,000	\$ -	\$ 250,000	\$ 805,000	\$ 260,000
B. Obligations under capital leases	205,201	311,192	77,440	438,953	109,479
C. Qualified school construction bonds payable	1,950,000	-	-	1,950,000	134,000
E. Compensated absences payable	100,303	-	22,610	77,693	-
F. Deferred loss on bond refunding	(20,832)	-	(5,281)	(15,551)	-
G. Premium on bond refunding	18,667	-	4,732	13,935	-
Total	<u>\$ 3,308,339</u>	<u>\$ 311,192</u>	<u>\$ 349,501</u>	<u>\$ 3,270,030</u>	<u>\$ 503,479</u>

A. 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 Bonds Series 2009	3.00-3.125%	6/10/2009	2/1/2018	<u>\$ 2,175,000</u>	<u>\$ 805,000</u>

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 260,000	\$ 24,494	\$ 284,494
2017	270,000	16,694	286,694
2018	<u>275,000</u>	<u>71,161</u>	<u>346,161</u>
Total	<u>\$ 805,000</u>	<u>\$ 112,349</u>	<u>\$ 917,349</u>

This debt will be retired from the Debt Service MAEP Retirement 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.

NORTH PANOLA SCHOOL DISTRICT

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

B. Obligations under capital leases

The School district has entered into a lease agreement as lessee for financing the acquisition of four school buses at a cost of \$300,724. This lease qualifies as a capital lease for accounting purposes.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Capital Lease - Buses	3.50%	7/15/2012	4/10/2018	\$ 300,724	\$ 156,539
Capital Lease - Buses	3.41%	10/9/2014	10/8/2019	311,192	282,414
				<u>\$ 611,916</u>	<u>\$ 438,953</u>

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 109,479	\$ 14,173	\$ 123,652
2017	113,290	10,361	123,651
2018	117,233	6,418	123,651
2019	65,408	2,821	68,229
2020	33,543	572	34,115
Total	<u>\$ 438,953</u>	<u>\$ 34,345</u>	<u>\$ 473,298</u>

This debt will be retired from the Special Revenue EEF – Buildings and Buses.

C. Qualified school construction bonds payable

As more fully explained in Note 10, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified Construction Bonds Series 2010	6.00%	12/7/2010	12/1/2025	<u>\$ 1,950,000</u>	<u>\$ 1,950,000</u>

The Qualified School Construction Bond was issued at an interest rate of 6.00% with anticipated refundable credit payments for the amount of interest cost from the Internal Revenue Service. It is possible the Internal Revenue Service may determine some reason not to reimburse some or all of the interest cost of the bond. The School District is responsible for the full amount of the interest payment in any event. The School District did receive the refundable credit payment in fiscal year 2015 in the amount of \$102,765.

D. Compensated absences payable

As more fully explained in Note 1(E)(6), 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.

NORTH PANOLA SCHOOL DISTRICT

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

Note 7 – 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 \$1,323,678, \$1,292,925 and \$1,229,327, respectively, which equaled the required contributions for each year.

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

At June 30, 2015, the school district reported a liability of \$16,422,943 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

NORTH PANOLA SCHOOL DISTRICT

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

plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2014, the school district's proportion was 0.1353 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$879,151. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 256,193	\$ -
Net difference between projected and actual earnings on pension plan investments	-	2,380,626
Changes of assumptions	-	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	648,049
District contributions subsequent to the measurement date	1,323,678	-
Total	<u><u>\$ 1,579,871</u></u>	<u><u>\$ 3,028,675</u></u>

\$1,323,678 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:

<u>Year ended June 30:</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Total</u>
2016	\$ 92,156	\$ (828,268)	\$ (736,112)
2017	92,156	(828,268)	(736,112)
2018	71,881	(776,983)	(705,102)
2019	-	(595,156)	(595,156)
Totals	<u><u>\$ 256,193</u></u>	<u><u>\$ (3,028,675)</u></u>	<u><u>\$ (2,772,482)</u></u>

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 2015, set forward two years for males.

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.

NORTH PANOLA SCHOOL DISTRICT

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

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

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

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:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
District's proportionate share of the net pension liability	\$ 22,389,368	\$ 16,422,943	\$ 11,446,057

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 8 – Contingencies

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

Litigation – The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the

NORTH PANOLA SCHOOL DISTRICT

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

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 9 – Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 90 school districts and covers risks of loss arising from injuries to the member's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess up to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies.

The district has not had an additional assessment for excess losses incurred by the pool.

Note 10 – Qualified School Construction Bonds

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

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB.

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay

NORTH PANOLA SCHOOL DISTRICT

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

costs of issuance. The amount on deposit at June 30, 2015 was \$480,759. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

<u>Year Ending June 30</u>	<u>Amount</u>
2016	\$ 134,000
2017	134,000
2018	134,000
2019	134,000
2020	134,000
2021-2025	<u>670,000</u>
Total	<u>\$ 1,340,000</u>

Note 11 – Alternative School Consortium

The school district entered into an Alternative School Agreement dated November 6, 1996 creating the North Delta Alternative School. This consortium was created pursuant to the provisions of Section 37-13-92(6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the West Tallahatchie Consolidated School District, Coahoma County School District, Quitman County School District, Coahoma Agricultural High School District, Mound Bayou School District, North Panola School District and Sunflower County School District.

Section 37-13-92(6), Miss. Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead district will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

The West Tallahatchie Consolidated School District has been designated as the lead school district for the North Delta Alternative School, and the operations of the consortium are included in its financial statements.

Note 12 – Prior Period Adjustments

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

Exhibit B – Statement of Activities

<u>Explanation</u>	<u>Amount</u>
Implementation of GASB 68 and 71:	
Net Pension Liability (measurement date)	\$ 19,609,199
Deferred Outflows- contributions made during fiscal year 2014	<u>(1,292,925)</u>
Total prior period adjustment related to GASB 68 and 71	<u>\$ 18,316,274</u>

NORTH PANOLA SCHOOL DISTRICT

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

Note 13 - 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 North Panola School District evaluated the activity of the district through November 8 2017, (the date the financial statements were available to be issued), and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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NORTH PANOLA 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
Revenues:					
Local sources	\$ 3,518,301	\$ 3,471,168	\$3,471,168	\$ (47,133)	\$ -
State sources	7,302,590	7,411,398	7,411,398	108,808	-
Federal sources	108,220	146,366	146,366	38,146	-
Total Revenues	<u>10,929,111</u>	<u>11,028,932</u>	<u>11,028,932</u>	<u>99,821</u>	<u>-</u>
Expenditures:					
Instruction	6,556,537	6,324,750	6,324,707	231,787	43
Support Services	4,656,405	4,834,978	4,834,976	(178,573)	2
Facilities acquisition and construction	-	-	-	-	-
Debt Services	60,000	34,114	34,114	25,886	-
Total Expenditures	<u>11,272,942</u>	<u>11,193,842</u>	<u>11,193,797</u>	<u>79,100</u>	<u>45</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(343,831)</u>	<u>(164,910)</u>	<u>(164,865)</u>	<u>178,921</u>	<u>45</u>
Other Financing Sources (Uses):					
Capital leases issued	-	311,192	311,192	311,192	-
Operating transfers in	81,631	97,942	97,941	16,311	(1)
Other Financing Sources	-	4,759	4,759	4,759	-
Operating transfers out	<u>(37,800)</u>	<u>(10,006)</u>	<u>(10,000)</u>	<u>27,794</u>	<u>6</u>
Total Other Financing Sources (Uses)	<u>43,831</u>	<u>403,887</u>	<u>403,892</u>	<u>360,056</u>	<u>5</u>
Net Change in Fund Balances	(300,000)	238,977	239,027	538,977	50
Fund Balances:					
July 1, 2014	<u>2,545,487</u>	<u>3,817,717</u>	<u>3,817,719</u>	<u>1,272,230</u>	<u>2</u>
June 30, 2015	<u>\$ 2,245,487</u>	<u>\$ 4,056,694</u>	<u>\$ 4,056,746</u>	<u>\$ 1,811,207</u>	<u>\$ 52</u>

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

NORTH PANOLA SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
Title I Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ -	\$ 1,514	\$ 1,514	\$ 1,514	\$ -
State sources	-	-	-	-	-
Federal sources	1,183,090	1,204,850	1,204,850	21,760	0
Total Revenues	1,183,090	1,206,364	1,206,364	23,274	-
Expenditures:					
Instruction	654,774	649,868	649,866	4,906	2
Support services	246,255	267,189	267,188	(20,934)	1
Noninstructional services	92,061	91,110	91,108	951	2
Total Expenditures	993,090	1,008,167	1,008,162	(15,077)	5
Excess (Deficiency) of Revenues Over Expenditures	190,000	198,197	198,202	8,197	5
Other Financing Sources (Uses):					
Operating transfers out	(190,000)	(198,197)	(198,202)	(8,197)	(5)
Total Other Financing Sources (Uses)	(190,000)	(198,197)	(198,202)	(8,197)	(5)
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2014	-	-	-	-	-
June 30, 2015	\$ -	\$ -	\$ -	\$ -	\$ -

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

NORTH PANOLA SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
School Food Service Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 73,369	\$ 36,166	\$ 36,166	\$ (37,203)	\$ -
State sources	12,000	-	-	(12,000)	-
Federal sources	1,020,000	1,200,770	1,200,770	180,770	-
Total Revenues	1,105,369	1,236,936	1,236,936	131,567	-
Expenditures:					
Support services	120,168	95,640	95,641	24,528	(1)
Noninstructional services	925,201	966,706	966,707	(41,505)	(1)
Total Expenditures	1,045,369	1,062,346	1,062,348	(16,977)	(2)
Excess (Deficiency) of Revenues Over Expenditures					
	60,000	174,590	174,588	114,590	(2)
Other Financing Sources (Uses):					
Operating transfers out	(60,000)	(71,592)	(71,590)	(11,592)	2
Total Other Financing Sources (Uses)	(60,000)	(71,592)	(71,590)	(11,592)	2
Net Change in Fund Balances					
	-	102,998	102,998	102,998	-
Fund Balances:					
July 1, 2014	-	502,139	502,139	502,139	-
Increase (decrease) in reserve for inventory		(1,930)	(1,930)	(1,930)	
June 30, 2015					
	\$ -	\$ 603,207	\$ 603,207	\$ 603,207	\$ -

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

NORTH PANOLA SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
Schedule of District's Proportionate Share
of the Net Pension Liability
For the Year Ended June 30, 2015

Last 10 Fiscal Years*	<u>2015</u>
District's proportion of the net pension liability	0.1353%
District's proportionate share of the net pension liability	\$ 16,422,943
District's covered-employee payroll	\$ 8,209,048
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	200.06%
Plan fiduciary net position as a percentage of the total pension liability	61.70%

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

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

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

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

NORTH PANOLA SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
Schedule of District's Contributions
For the Year Ended June 30, 2015

Last 10 Fiscal Years*	<u>2015</u>
Contractually required contribution	\$ 1,323,678
Contributions in relation to the contractually required contribution	<u>1,323,682</u>
Contribution deficiency (excess)	<u>\$ (4)</u>
District's covered-employee payroll	8,404,294
Contributions as a percentage of covered-employee payroll	15.75%

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

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

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

NORTH PANOLA 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 Schedules present the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) Changes of benefit terms

There were no changes of benefit terms in 2015.

(2) Changes of assumptions

There were no changes of assumptions in 2015.

SUPPLEMENTARY INFORMATION

NORTH PANOLA 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 Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 309,734
National school lunch program	10.555	791,049
Summer food service program for children	10.559	24,511
Total child nutrition cluster		<u>1,125,294</u>
Fresh fruit and vegetable program	10.582	50,618
Total U.S. Department of Agriculture		<u>1,175,912</u>
<u>U. S. Department of Defense</u>		
Direct program:		
ROTC Language and Culture Training Grants	12.357	73,807
Total U.S. Department of Defense		<u>73,807</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.001	71,813
Total Federal Communications Commission		<u>71,813</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	31,368
Special education technical assistance and dissemination to Improve services and results for children with disabilities	84.326Y	4,999
Rural education	84.358	29,527
Improving teacher quality state grants	84.367	197,895
Subtotal		<u>263,789</u>
Title I cluster:		
Title I grants to local educational agencies	84.010	1,228,960
Total Title I cluster		<u>1,228,960</u>
Special education cluster:		
Special education-grants to states	84.027	381,883
Special education - preschool grants	84.173	16,039
Total special education cluster		<u>397,922</u>
Total passed-through Mississippi Department of Education		<u>1,890,671</u>
Total U.S. Department of Education		<u>1,890,671</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	24,402
Total U.S. Department of Education		<u>24,402</u>
Total for All Federal Awards		<u><u>\$ 3,236,605</u></u>

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.
4. Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

NORTH PANOLA 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	\$ 11,601,460	\$ 8,356,369	\$ 667,260	\$ 797,060	\$ 1,780,771
Other	3,898,906	976,050	278,452	2,848	2,641,556
Total	\$ 15,500,366	\$ 9,332,419	\$ 945,712	\$ 799,908	\$ 4,422,327
 Total number of students*	 1,367				
 Cost per student	 \$ 11,339	 \$ 6,827	 \$ 692	 \$ 585	 \$ 3,235

For the purposes of this schedule, the following column 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 - (all the 1000, 2100, & 2200 functional codes).

General Administration - includes expenditures for the following functions: Support Services -General Administration (2300s). Support Services - Business (2500s).

School Administration - includes expenditures for the following function: Support Services -School Administration (2400s).

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.

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OTHER INFORMATION

NORTH PANOLA SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	<u>2015</u>	<u>2014*</u>	<u>2013*</u>	<u>2012*</u>
Revenues:				
Local sources	\$ 3,471,168	\$ 3,602,187	\$ 3,448,665	\$ 3,246,839
State sources	7,411,398	7,277,248	7,304,753	7,438,930
Federal sources	146,366	127,649	86,742	110,403
Total Revenues	<u>11,028,932</u>	<u>11,007,084</u>	<u>10,840,160</u>	<u>10,796,172</u>
Expenditures:				
Instruction	6,324,707	6,452,970	6,542,136	6,139,476
Support services	4,834,976	4,557,466	4,262,586	4,357,500
Facilities acquisition and construction	-	172,453	224,317	118,606
Debt service:				
Principal	28,779	-	-	-
Interest	5,335	-	-	-
Total Expenditures	<u>11,193,797</u>	<u>11,182,889</u>	<u>11,029,039</u>	<u>10,615,582</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(164,865)</u>	<u>(175,805)</u>	<u>(188,879)</u>	<u>180,590</u>
Other Financing Sources (Uses):				
Capital leases issued				
Insurance loss recoveries	311,192	162,829	-	159,409
Operating transfers in	97,941	78,849	65,168	78,768
Other financing sources	4,759	1,160	68,522	-
Operating transfers out	(10,000)	(10,000)	(12,000)	(16,399)
Total Other Financing Sources (Uses)	<u>403,892</u>	<u>232,838</u>	<u>121,690</u>	<u>221,778</u>
Net Change in Fund Balances	<u>239,027</u>	<u>57,033</u>	<u>(67,189)</u>	<u>402,368</u>
Fund Balances:				
Beginning of period, as previously reported	3,817,719	3,760,686	3,827,243	3,424,875
Prior period adjustment(s)	-	-	632	-
Beginning of period, as restated	<u>3,817,719</u>	<u>3,760,686</u>	<u>3,827,875</u>	<u>3,424,875</u>
End of Period	<u>\$ 4,056,746</u>	<u>\$ 3,817,719</u>	<u>\$ 3,760,686</u>	<u>\$ 3,827,243</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

NORTH PANOLA SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2015	2014*	2013*	2012*
Revenues:				
Local sources	\$ 3,769,910	\$ 3,937,901	\$ 3,904,235	\$ 3,856,532
State sources	8,589,936	8,411,584	8,476,482	8,566,052
Federal sources	3,312,936	3,366,065	4,020,057	5,745,151
Total Revenues	15,672,782	15,715,550	16,400,774	18,167,735
Expenditures:				
Instruction	7,804,200	8,191,760	8,762,345	9,417,686
Support services	6,082,686	5,715,350	6,066,618	6,050,986
Noninstructional services	1,124,088	1,088,521	1,139,421	1,239,731
Facilities acquisition and construction	-	172,453	643,458	2,317,189
Debt service:				
Principal	327,440	292,002	728,521	455,000
Interest	161,952	166,537	172,728	173,009
Advance refunding escrow	-	-	-	-
Other	-	-	-	2,700
Total Expenditures	15,500,366	15,626,623	17,513,091	19,656,301
Excess (Deficiency) of Revenues over Expenditures	172,416	88,927	(1,112,317)	(1,488,566)
Other Financing Sources (Uses):				
Bonds and notes issued	-	-	440,000	-
Capital leases issued	311,192	-	300,724	-
Insurance loss recoveries	-	162,829	-	159,409
Payment to escrow agents	-	-	-	-
Operating transfers in	329,817	267,913	127,798	111,222
Other financing sources	4,759	1,160	68,522	-
Operating transfers out	(329,817)	(267,913)	(127,798)	(111,222)
Total Other Financing Sources (Uses)	315,951	163,989	809,246	159,409
Net Change in Fund Balances	488,367	252,916	(303,071)	(1,329,157)
Fund Balances:				
Beginning of period, as previously reported	5,143,840	4,893,364	5,194,551	6,451,452
Prior period adjustment(s)	-	-	468	71,157
Beginning of period, as restated	5,143,840	4,893,364	5,195,019	6,522,609
Increase (Decrease) in reserve for inventory	(1,930)	(2,440)	1,416	1,099
End of period	\$5,630,277	\$ 5,143,840	\$ 4,893,364	\$ 5,194,551

*SOURCE - PRIOR YEAR AUDIT REPORTS

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REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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

Superintendent and School Board
North Panola School District
Sardis, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Panola School District as of and for the year ended June 30, 2015, and related notes to the financial statements, which collectively comprise the North Panola School District's basic financial statements, and have issued our report thereon dated November 8, 2017.

Internal Control Over Financial Reporting

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

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of control 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Williams, Pitts & Beard, PLLC". The script is cursive and fluid.

Williams, Pitts & Beard, PLLC
Hernando, Mississippi
November 8, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Superintendent and School Board
North Panola School District
Sardis, Mississippi

Report on Compliance for Each Major Federal Program

We have audited North Panola 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 the school district's major federal programs for the year ended June 30, 2015. The 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 North Panola 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 the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the North Panola 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 North Panola 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 North Panola School District's internal control over compliance with the types of requirements that could have a direct and material effect 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 the school district's internal control over compliance.

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

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

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.

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC
Hernando, Mississippi
November 8, 2017

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

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

Superintendent and School Board
North Panola School District
Sardis, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the North Panola School District as of and for the year ended June 30, 2015, which collectively comprise the North Panola School District's basic financial statements and have issued our report thereon dated November 8, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Williams, Pitts & Beard, PLLC
Hernando, Mississippi
November 8, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NORTH PANOLA 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 on the financial statements | <u>Unmodified</u> |
| 2. Material noncompliance relating to the financial statements? | <u>No</u> |
| 3. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | <u>No</u> |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | <u>None Reported</u> |

Federal Awards:

- | | |
|--|----------------------|
| 4. Type of auditor's report issued on compliance for major federal programs: | <u>Unmodified</u> |
| 5. Internal control over major programs: | |
| a. Material weakness (es) identified? | <u>No</u> |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | <u>None Reported</u> |
| 6. Any audit finding(s) reported as required by section ____ .510(a) of Circular A-133? | <u>No</u> |
| 7. Federal programs identified as major programs: | |
| a. Title I – grants to local education agencies
CFDA#84.010 | |
| b. Child nutrition cluster
CFDA #10.553
CFDA #10.555
CFDA #10.559 | |
| c. Special education cluster
CFDA #84.027
CFDA #84.173 | |

NORTH PANOLA SCHOOL DISTRICT

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015**

8. The dollar threshold used to distinguish between type A and type B programs:

\$300,000

9. Auditee qualified as a low-risk auditee?

No

10. Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section _____.315(b) of OMB Circular A-133?

No

Section II: Findings Related to the Financial Statements

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

Section III: Federal Award Findings and Questioned Costs

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