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**NOXUBEE COUNTY SCHOOL DISTRICT**

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

**NOXUBEE COUNTY SCHOOL DISTRICT**

**Contents**

	Page
<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>5</b>
<b>BASIC FINANCIAL STATEMENTS</b>	<b>15</b>
Government-wide Financial Statements	
Exhibit A – Statement of Net Position	16
Exhibit B – Statement of Activities	17
Governmental Funds Financial Statements	
Exhibit C – Balance Sheet	18
Exhibit C-1 – Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	19
Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances	20
Exhibit D-1 – Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	21
Fiduciary Funds Financial Statements	
Exhibit E – Statement of Fiduciary Assets and Liabilities	22
Notes to Financial Statements	23
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	<b>45</b>
Budgetary Comparison Schedule – General Fund	46
Budgetary Comparison Schedule – Child Nutrition Fund	47
Schedule Of The District's Proportionate Share Of The Net Pension Liability - PERS	48
Schedule Of District Contributions - PERS	49
Notes to Required Supplementary Information	50
<b>SUPPLEMENTARY INFORMATION</b>	<b>52</b>
Schedule of Expenditures of Federal Awards	53
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds	54
<b>OTHER INFORMATION</b>	<b>55</b>
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years	56
Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years	57
<b>REPORTS ON INTERNAL CONTROL AND COMPLIANCE</b>	<b>58</b>
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	59
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A133	61
<b>INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS</b>	<b>63</b>
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>	<b>67</b>
<b>CORRECTIVE ACTION PLAN</b>	<b>76</b>

**INDEPENDENT AUDITORS' REPORT**



**WATKINS, WARD and STAFFORD**  
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Certified Public Accountants

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Susan M. Lummus, CPA	

## **INDEPENDENT AUDITORS' REPORT**

To the Superintendent and School Board  
Noxubee County School District

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Noxubee County School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the contents.

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

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

#### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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.

#### ***Basis for Qualified Opinions***

Management could not provide us with minutes of the board meetings for the months of August 2014 and July 2015. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to obtaining evidence regarding decisions made by those charged with governance in the months of August 2014 and July 2015 that could have a material effect on the financial statements.

### ***Qualified Opinions***

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Noxubee County 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, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 5–14, 45-46, 47, 48 and 49 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 Noxubee County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2018, on our consideration of the Noxubee County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Noxubee County School District's internal control over financial reporting and compliance.

Watkins, Ward and Stafford, PLLC  
Jackson, Mississippi  
May 7, 2018

*Watkins Ward and Stafford, PLLC*



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**NOXUBEE COUNTY SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2015**

The following discussion and analysis of Noxubee County 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 \$19,209,676, including a prior period adjustment of \$(20,401,263), which represents a 145.01% decrease from fiscal year 2014. Total net position for 2014 decreased \$559,437, including a prior period adjustment of \$334,657, which represents a 4.05% decrease from fiscal year 2013.
- General revenues amounted to \$14,126,614 and \$12,719,892, or 76.21% and 76.22% 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 \$4,410,465, or 23.79% of total revenues for 2015, and \$3,968,866, or 23.78 % of total revenues for 2014.
- The District had \$17,345,492 and \$17,582,852 in expenses for fiscal years 2015 and 2014; only \$4,410,465 for 2015 and \$3,968,866 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$14,126,614 for 2015 were adequate to provide for these programs. General revenues of \$12,719,892 for 2014 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$13,143,079 in revenues and \$11,993,719 in expenditures for 2015, and \$11,339,955 in revenues and \$13,516,404 in expenditures in 2014. The General Fund's fund balance increased by \$671,891 (net of a prior period adjustment of \$66,965 and a fund reclassification of \$14,639) from 2014 to 2015, and decreased by \$797,203 (net of a prior period adjustment of \$7,566) from 2013 to 2014.
- Capital assets, net of accumulated depreciation, decreased by \$681,584 for 2015 and decreased by \$299,784 for 2014. The decrease for 2015 was due to the following: disposal of mobile equipment, a prior period adjustment to increase accumulated depreciation, and the increase in accumulated depreciation from the current year's depreciation expense.
- Long-term debt decreased by \$734,590 for 2015 and decreased by \$726,902 for 2014. This decrease for 2015 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$42,590 for 2015 and increased by \$10,225 for 2014.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide Financial Statements**

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

**NOXUBEE COUNTY SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2015**

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

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

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

### **Fund Financial Statements**

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

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

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

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

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

**NOXUBEE COUNTY 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 Supplementary Information**

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

This report also presents a schedule of the District's proportionate share of the net pension liability as well as a Schedule of District contributions to PERS.

**Supplementary Information**

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

**Other Information**

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

**NOXUBEE COUNTY SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2015**

**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 \$5,962,325 as of 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 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.

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

	<b>June 30, 2015</b>	<b>June 30, 2014</b>	<b>Percentage Change</b>
Current assets	\$ 3,672,870	\$ 3,141,382	16.92 %
Restricted assets	650,540	566,888	14.76 %
Capital assets, net	14,585,980	15,267,564	-4.46 %
<b>Total assets</b>	<b>18,909,390</b>	<b>18,975,834</b>	<b>-0.35 %</b>
<b>Deferred outflows of resources</b>	<b>1,721,129</b>	<b>-</b>	<b>N/A %</b>
Current liabilities	1,560,730	1,762,661	-11.46 %
Long-term debt outstanding	3,231,232	3,965,822	-18.52 %
Net pension liability	18,601,258	-	
<b>Total liabilities</b>	<b>23,393,220</b>	<b>5,728,483</b>	<b>308.37 %</b>
<b>Deferred inflows of resources</b>	<b>3,199,624</b>	<b>-</b>	<b>N/A %</b>
<b>Net position:</b>			
Net investment in capital assets	11,453,980	11,443,564	0.09 %
Restricted	2,228,054	2,082,871	6.97 %
Unrestricted	(19,644,359)	(279,084)	-6938.87 %
<b>Total net position</b>	<b>\$ (5,962,325)</b>	<b>\$ 13,247,351</b>	<b>-145.01 %</b>

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (19,644,359)
Less unrestricted deficit in net position resulting from recognition of the net pension liability	20,079,753
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 435,394</u>

**NOXUBEE COUNTY SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2015**

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 \$681,584, which includes a prior period adjustment of \$42,978 to accumulated depreciation
- The principal retirement of \$692,000 of long-term debt.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$18,537,079 and \$16,688,758, respectively. The total cost of all programs and services was \$17,345,492 for 2015 and \$17,582,852 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
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 263,037	\$ 143,902	82.79 %
Operating grants and contributions	4,147,428	3,824,964	8.43 %
General revenues:			
Property taxes	3,726,949	3,457,295	7.80 %
Grants and contributions not restricted	9,100,924	8,552,007	6.42 %
Investment earnings	7,074	1,634	332.93 %
Sixteenth section sources	1,123,087	353,503	217.70 %
Other	168,580	355,453	(52.57) %
<b>Total revenues</b>	<b>18,537,079</b>	<b>16,688,758</b>	<b>11.08 %</b>
<b>Expenses:</b>			
Instruction	7,673,047	8,781,018	(12.62) %
Support services	7,344,491	7,923,450	(7.31) %
Non-instructional	1,061,217	667,977	58.87 %
Sixteenth section	67,699	73,587	(8.00) %
Pension expense	1,078,771	-	N/A
Interest on long-term liabilities	120,267	136,820	(12.10) %
<b>Total expenses</b>	<b>17,345,492</b>	<b>17,582,852</b>	<b>(1.35) %</b>
<b>Increase (Decrease) in net position</b>	<b>1,191,587</b>	<b>(894,094)</b>	<b>233.27 %</b>
<b>Net Position, July 1, as previously reported *</b>	<b>13,247,351</b>	<b>13,806,788</b>	<b>(4.05) %</b>
<b>Prior Period Adjustment</b>	<b>(20,401,263)</b>	<b>334,657</b>	<b>(6,196.17) %</b>
<b>Net Position, July 1, as restated *</b>	<b>(7,153,912)</b>	<b>14,141,445</b>	<b>(150.59) %</b>
<b>Net Position, June 30</b>	<b>\$ (5,962,325)</b>	<b>\$ 13,247,351</b>	<b>(145.01) %</b>

**NOXUBEE COUNTY SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2015**

**Governmental activities**

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

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

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

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2015</b>	<b>2014</b>	
Instruction	\$ 7,673,047	\$ 8,781,018	(12.62) %
Support services	7,344,491	7,923,450	(7.31) %
Non-instructional	1,061,217	667,977	58.87 %
Sixteenth section	67,699	73,587	(8.00) %
Pension Expense	1,078,771	-	N/A %
Interest on long-term liabilities	120,267	136,820	(12.10) %
<b>Total expenses</b>	<b>\$ 17,345,492</b>	<b>\$ 17,582,852</b>	<b>(1.35) %</b>

  

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2015</b>	<b>2014</b>	
Instruction	\$ (6,543,205)	\$ (7,845,743)	(16.60) %
Support services	(5,500,792)	(6,125,016)	(10.19) %
Non-instructional	234,960	567,180	(58.57) %
Sixteenth section	73,048	(73,587)	(199.27) %
Pension Expense	(1,078,771)	-	N/A %
Interest on long-term liabilities	(120,267)	(136,820)	(12.10) %
<b>Total net (expense) revenue</b>	<b>\$ (12,935,027)</b>	<b>\$ (13,613,986)</b>	<b>(4.99) %</b>

- Net cost of governmental activities (\$12,935,027 for 2015 and \$13,613,986 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$3,726,949 for 2015 and \$3,457,295 for 2014) and state and federal revenues (\$9,100,924 for 2015 and \$8,552,007 for 2014). In addition, there was \$1,123,087 and \$353,503 in Sixteenth Section sources for 2015 and 2014, respectively.
- Investment earnings amounted to \$7,074 for 2015 and \$1,634 for 2014.

**NOXUBEE COUNTY SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2015**

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

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$2,799,882, an increase of \$807,044, which includes a prior period adjustment of \$73,652 and an increase in inventory of \$5,966. \$324,790 or 11.6% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$2,475,092 or 88.4% is either nonspendable, restricted, or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, 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 \$671,891, which includes a prior period adjustment and a fund reclassification of \$66,965 and \$14,639, respectively. The fund balance of Other Governmental Funds showed an increase in the amount of \$120,800, which includes a prior period adjustment and a fund reclassification of \$6,687 and \$(14,639), respectively. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		Increase <u>(Decrease)</u>
Child Nutrition Fund	\$	12,832
16th Section Principal Fund	\$	1,521

**BUDGETARY HIGHLIGHTS**

During the year, the District did not revise the annual operating budget. Budget revisions were not made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District.

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



**NOXUBEE COUNTY SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2015**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2015, the District's total capital assets were \$25,365,760, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents a decrease of \$331,866 from 2014. Total accumulated depreciation as of June 30, 2015, was \$10,779,780, and total depreciation expense for the year was \$605,419, resulting in total net capital assets of \$14,585,980.

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Land	\$ 49,211	\$ 49,211	0.00 %
Buildings	11,771,058	12,066,319	(2.45) %
Building improvements	1,773,425	1,950,837	(9.09) %
Improvements other than buildings	142,303	122,391	16.27 %
Mobile equipment	728,861	891,017	(18.20) %
Furniture and equipment	121,122	178,189	(32.03) %
Leased property under capital leases	-	9,600	(100.00) %
<b>Total</b>	<b><u>\$ 14,585,980</u></b>	<b><u>\$ 15,267,564</u></b>	<b><u>(4.46) %</u></b>

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

**Debt Administration.** At June 30, 2015, the District had \$3,231,232 in outstanding long-term debt, of which \$724,962 is due within one year. The liability for compensated absences decreased \$42,590 from the prior year.

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 1,370,000	\$ 1,625,000	(15.69) %
Limited obligation bonds payable	1,350,000	1,665,000	(18.92) %
Three mill notes payable	412,000	534,000	(22.85) %
Compensated absences payable	99,232	141,822	(30.03) %
<b>Total</b>	<b><u>\$ 3,231,232</u></b>	<b><u>\$ 3,965,822</u></b>	<b><u>(18.52) %</u></b>

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

**NOXUBEE COUNTY SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015**

**CURRENT ISSUES**

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

The District has committed itself to financial excellence for many years. In addition, 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.

Enrollment for the 2014-2015 year decreased by 2.79% to 1,745 students.

**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 Noxubee County School District, P.O. Box 540, Macon, MS 39141-0540

**FINANCIAL STATEMENTS**

**NOXUBEE COUNTY SCHOOL DISTRICT**  
**Statement of Net Position**  
**June 30, 2015**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 3,001,837
Investments	5,656
Due from other governments	645,956
Inventories	19,421
Restricted assets	650,540
Capital assets, non-depreciable:	
Land	49,211
Capital assets, net of accumulated depreciation:	
Buildings	11,771,058
Building improvements	1,773,425
Improvements other than buildings	142,303
Mobile equipment	728,861
Furniture and equipment	121,122
Total Assets	<u>18,909,390</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows - pensions	1,721,129
Total Deferred Outflows of Resources	<u>1,721,129</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	997,683
Unearned revenue	215,845
Interest payable on long-term liabilities	37,202
Claims and judgments payable	310,000
Long-term liabilities, due within one year:	
Capital related liabilities	720,000
Non-capital related liabilities	4,962
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,412,000
Non-capital related liabilities	94,270
Net pension liability	18,601,258
Total Liabilities	<u>23,393,220</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	3,199,624
Total Deferred Inflows of Resources	<u>3,199,624</u>
<b>Net Position</b>	
Net investment in capital assets	11,453,980
Restricted for:	
Expendable:	
School-based activities	593,104
Debt service	452,027
Forestry improvements	225,304
Unemployment benefits	39,314
Non-expendable:	-
Sixteenth section	918,305
Unrestricted	(19,644,359)
Total Net Position (Deficit)	<u>\$ (5,962,325)</u>

**NOXUBEE COUNTY SCHOOL DISTRICT**  
**Statement of Activities**  
**For the Year Ended 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	\$ 7,673,047	\$ 77,159	\$ 1,052,683	\$ -	\$ (6,543,205)
Support services	7,344,491	915	1,842,784	-	(5,500,792)
Non-instructional	1,061,217	44,216	1,251,961	-	234,960
Sixteenth section	67,699	140,747	-	-	73,048
Pension expense	1,078,771	-	-	-	(1,078,771)
Interest on long-term liabilities	120,267	-	-	-	(120,267)
Total Governmental Activities	<u>\$ 17,345,492</u>	<u>\$ 263,037</u>	<u>\$ 4,147,428</u>	<u>\$ -</u>	<u>\$ (12,935,027)</u>

General Revenues:

Taxes:

General purpose levies 3,245,752

Debt purpose levies 481,197

Unrestricted grants and contributions:

State 8,881,996

Federal 218,928

Unrestricted investment earnings 7,074

Sixteenth section sources 1,123,087

Other 168,580

Total General Revenues 14,126,614

Change in Net Position 1,191,587

Net Position - Beginning, as previously reported 13,247,351

Prior Period Adjustments (20,401,263)

Net Position - Beginning (7,153,912)

Net Position - Ending \$ (5,962,325)

The accompanying notes to financial statements are an integral part of these statements.

**NOXUBEE COUNTY SCHOOL DISTRICT**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2015**

**Exhibit C**

	Major Fund				
	General Fund	School Lunch Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 1,435,794	\$ 711,679	\$ 230,579	\$ 854,364	\$ 3,232,416
Investments	5,656	-	255,040	164,921	425,617
Due from other governments	221,729	-	-	424,227	645,956
Due from other funds	661,340	10,376	-	261,082	932,798
Advance to other funds	-	-	453,528	-	453,528
Inventories	-	19,421	-	-	19,421
Total Assets	\$ 2,324,519	\$ 741,476	\$ 939,147	\$ 1,704,594	\$ 5,709,736
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 831,839	\$ 38,750	\$ -	\$ 123,823	\$ 994,412
Due to other funds	194,526	237,161	20,842	483,540	936,069
Other payables	453,528	-	-	-	453,528
Claims and judgements payable	310,000	-	-	-	310,000
Unearned revenue	-	-	-	215,845	215,845
Total Liabilities	\$ 1,789,893	\$ 275,911	\$ 20,842	\$ 823,208	\$ 2,909,854
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Inventory	-	19,421	-	-	19,421
Permanent fund principal	-	-	464,777	-	464,777
Advances	-	-	453,528	-	453,528
Ad Valorem	158,386	-	-	-	158,386
<b>Restricted:</b>					
Debt service	-	-	-	489,229	489,229
Forestry improvement purposes	-	-	-	225,304	225,304
Grant activities	-	446,144	-	127,539	573,683
Unemployment benefits	-	-	-	39,314	39,314
<b>Assigned:</b>					
Student activity	47,579	-	-	-	47,579
Other	3,871	-	-	-	3,871
<b>Unassigned</b>	324,790	-	-	-	324,790
Total Fund Balances	534,626	465,565	918,305	881,386	2,799,882
Total Liabilities and Fund Balances	\$ 2,324,519	\$ 741,476	\$ 939,147	\$ 1,704,594	\$ 5,709,736

The accompanying notes to financial statements are an integral part of these statements.

## Governmental Funds

## Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2015

<b>Total fund balances for governmental funds</b>	<b>\$</b>	<b>2,799,882</b>
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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	\$ 49,211		
Buildings	17,473,222		
Building improvements	4,100,875		
Improvements other than buildings	243,828		
Mobile equipment	2,834,766		
Furniture and equipment	663,858		
Accumulated depreciation	<u>(10,779,780)</u>		14,585,980

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

Net pension liability	(18,601,258)		
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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	1,721,129		
Deferred inflows of resources related to pensions	<u>(3,199,624)</u>		(20,079,753)

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

General obligation bonds	(1,370,000)		
Limited obligation bonds	(1,350,000)		
Three mill notes payable	(412,000)		
Compensated absences	(99,232)		
Accrued interest payable	<u>(37,202)</u>		(3,268,434)

<b>Net position of governmental activities</b>	<b>\$</b>	<b><u>(5,962,325)</u></b>
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The accompanying notes to financial statements are an integral part of these statements.

**NOXUBEE COUNTY SCHOOL DISTRICT**  
**Governmental Funds**

**Exhibit D**

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

	Major Fund				
	General	School	Sixteenth	Other	Total
	Fund	Lunch	Section Principal	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
<b>Revenues:</b>					
Local sources	\$ 3,457,172	\$ 70,844	\$ -	\$ 493,444	\$ 4,021,460
State sources	8,385,026	13,140	-	1,057,544	9,455,710
Federal sources	176,682	1,231,293	-	2,384,667	3,792,642
Sixteenth section sources	1,124,199	-	22,363	141,105	1,287,667
Total Revenues	13,143,079	1,315,277	22,363	4,076,760	18,557,479
<b>Expenditures:</b>					
Instruction	6,678,010	-	-	1,516,116	8,194,126
Support services	5,248,318	135,270	-	1,931,694	7,315,282
Noninstructional services	763	935,980	-	160,172	1,096,915
Sixteenth section	34,934	-	-	36,102	71,036
Debt service:					
Principal	-	-	-	692,000	692,000
Interest	31,694	-	-	117,750	149,444
Other	-	-	-	1,250	1,250
Total Expenditures	11,993,719	1,071,250	0	4,455,084	17,520,053
Excess (Deficiency) of Revenues over (under) Expenditures	1,149,360	244,027	22,363	(378,324)	1,037,426
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	385,693	-	-	634,766	1,020,459
Operating transfers out	(634,766)	(237,161)	(20,842)	(127,690)	(1,020,459)
Other financing uses	(310,000)	-	-	-	(310,000)
Total Other Financing Sources (Uses)	(559,073)	(237,161)	(20,842)	507,076	(310,000)
Net Change in Fund Balances	590,287	6,866	1,521	128,752	727,426
<b>Fund Balances:</b>					
July 1, 2014, as previously reported	(137,265)	452,733	916,784	760,586	1,992,838
Prior period adjustments	66,965	-	-	6,687	73,652
Fund reclassification	14,639	-	-	(14,639)	-
July 1, 2014, as restated	(55,661)	452,733	916,784	752,634	2,066,490
Increase (Decrease) in reserve for inventory	-	5,966	-	-	5,966
June 30, 2015	\$ 534,626	\$ 465,565	\$ 918,305	881,386	\$ 2,799,882

The accompanying notes to financial statements are an integral part of these statements.



## 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

Net change in fund balances - total governmental funds \$ 727,426

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

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ -	
Depreciation expense	(605,419)	(605,419)

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.

(33,187)

3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Payments of debt principal	692,000	
Accrued interest payable	10,027	702,027

4. The implementation of GASB 68 creates a change in the amount of pension expense that is reported on the statement of activities. A breakdown of these changes are listed below:

Pension contributions for the FYE 6/30/15 are reported as a deferred outflow	1,430,955	
Pension expense calculated during the implementation of GASB 68	(1,078,771)	352,184

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	42,590	
Change in inventory reserve	5,966	48,556

Change in net position of governmental activities \$ 1,191,587

The accompanying notes to financial statements are an integral part of these statements.

**NOXUBEE COUNTY SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Statement of Fiduciary Assets and Liabilities**  
**June 30, 2015**

**Exhibit E**

	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 205,212
Due from other funds	4,068
Total Assets	<u>\$ 209,280</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 197,418
Due to other funds	797
Due to student clubs	11,065
Total Liabilities	<u>\$ 209,280</u>

The accompanying notes to financial statements are an integral part of these statements.

**NOXUBEE COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

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

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

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. 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 consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

## **NOXUBEE COUNTY SCHOOL DISTRICT**

### **Notes to Financial Statements**

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

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

The school district reports the following major governmental funds:

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

Child Nutrition Fund - This is a special revenue fund that accounts for all revenues received in administering the child nutrition program.

Sixteenth Section Principal Fund – This fund is used to account for sixteenth section resources that are legally restricted; only earnings, and not the principal, may be used for purposes that support the district's 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.

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

The District's fiduciary funds include the following:

Payroll Clearing Fund - This is a fiduciary fund that accounts for the assets and liabilities associated with the imprest clearing activities of the payroll expenditure control cycle.

Accounts Payable Clearing Fund - This is a fiduciary fund that accounts for the assets and liabilities associated with the imprest clearing activities of the non-payroll expenditure control cycle.

Student Club Funds - These are fiduciary funds that account for the assets and liabilities associated with student club activities.

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.

## **NOXUBEE COUNTY SCHOOL DISTRICT**

### **Notes to Financial Statements**

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

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

#### **FIDUCIARY FUNDS**

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

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

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

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

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

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

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.

**NOXUBEE COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

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

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

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

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

**D. Encumbrances**

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

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

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

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

**2. Receivables and payables**

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

**NOXUBEE COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

**NOXUBEE COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

The following schedule details the capitalization thresholds:

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

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

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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The school district has incurred a deferred outflow which is presented as a deferred outflow related to pensions. See Note 13 for further details.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The school has incurred a deferred inflow which is presented as a deferred inflow related to pensions. See Note 13 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.



**NOXUBEE COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

11. Fund Balances

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

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

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

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

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

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

## **NOXUBEE COUNTY SCHOOL DISTRICT**

### **Notes to Financial Statements**

*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.

### **Note 2 – Cash and Cash Equivalents and Investments**

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

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

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

#### **Cash and Cash Equivalents**

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$3,493,122 (which includes \$260,696 of certificates of deposit with original maturities beyond three months and reported on the Balance Sheet as investments) and \$205,212, respectively.

**NOXUBEE COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

*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. As of June 30, 2015, none of the district's bank balance of \$4,020,829 was exposed to custodial credit risk.

**Investments**

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

Investment Type	Rating	Maturities (in years)	Fair Value
Certificates of deposit	N/A	1 year	\$ 260,696
Federated US Treasury Cash Reserve	N/A	N/A	164,921
Total			<u>\$ 425,617</u>

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

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

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

*Concentration of Credit Risk.* Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2015, the district had the following investments:

Issuer	Fair Value	% of Total Investments
Certificates of Deposit	\$ 260,696	61.25%

**NOXUBEE COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

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

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

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

Receivable Fund	Payable Fund	Amount
General Fund	Child Nutrition Fund	\$ 234,837
	16th Section Principal	20,842
	Other Governmental Funds	404,947
	Agency Funds	714
Child Nutrition Fund	General Fund	10,376
Other Governmental Funds	General Fund	180,082
	Child Nutrition Fund	2,324
	Agency Funds	83
Agency	General Fund	4,068
Total		<u>\$ 858,273</u>

The primary purpose of the interfund loans were to eliminate negative cash balances in pooled bank accounts. All interfund receivables and payables are expected to be repaid within one year.

**B. Advances To/From Other Funds**

Receivable Fund	Payable Fund	Amount
16th Section Principal Fund	General Fund	\$ 453,528
Total		<u>\$ 453,528</u>

Sixteenth section principal loans payable

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

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 58,731	\$ 18,141	\$ 76,872
2017	61,080	15,792	76,872
2018	63,523	13,349	76,872
2019	66,064	10,808	76,872
2020	68,707	8,165	76,872
2021 - 2025	135,423	7,976	143,399
Total	<u>\$ 453,528</u>	<u>\$ 74,231</u>	<u>\$ 527,759</u>

**NOXUBEE COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

**C. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other Governmental Funds	\$ 634,766
Child Nutrition Fund	General Fund	237,161
16th Section Principal Fund	General Fund	20,842
Other Governmental Funds	General Fund	<u>127,690</u>
Total		<u><u>\$ 1,020,459</u></u>

The purposes of the transfers were to provide funds for general operating activities. All transfers were routine and consistent with the fund making the transfer.

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance and investment balance, totaling \$230,579 and \$255,040, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the investment balance, totaling \$164,921 of the MAEP Limited Obligation Bond/Note Fund.

**NOXUBEE COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

**Note 5 – Capital Assets**

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

	Balance 7/1/2014	Increases	Decreases	Adjustments*	Balance 6/30/2015
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 49,211	\$ -	\$ -	\$ -	\$ 49,211
Total non-depreciable capital assets	49,211	-	-	-	49,211
<u>Depreciable capital assets:</u>					
Buildings	17,473,222	-	-	-	17,473,222
Building improvements	4,100,875	-	-	-	4,100,875
Improvements other than buildings	195,828	-	-	48,000	243,828
Mobile equipment	3,166,632	-	331,866	-	2,834,766
Furniture and equipment	663,858	-	-	-	663,858
Leased property under capital leases	48,000	-	-	(48,000)	-
Total depreciable capital assets	25,648,415	-	331,866	-	25,316,549
<u>Less accumulated depreciation for:</u>					
Buildings	5,406,903	306,136	-	(10,875)	5,702,164
Building improvements	2,150,038	139,467	-	37,945	2,327,450
Improvements other than buildings	73,437	9,753	-	18,335	101,525
Mobile equipment	2,275,615	117,819	298,679	11,150	2,105,905
Furniture and equipment	485,669	32,244	-	24,823	542,736
Leased property under capital leases	38,400	-	-	(38,400)	-
Total accumulated depreciation	10,430,062	605,419	298,679	42,978	10,779,780
Total depreciable capital assets, net	15,218,353	(605,419)	33,187	(42,978)	14,536,769
Governmental activities capital assets, net	\$ 15,267,564	\$ (605,419)	\$ 33,187	\$ (42,978)	\$ 14,585,980

\* - Adjustments column represents the reclassifying of leased property to Improvements other than buildings, and the correction of accumulated depreciation.

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 440,830
Support services	125,749
Non-instructional	38,840
Total depreciation expense - Governmental activities	<u>\$ 605,419</u>

**NOXUBEE COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015	Amounts due within one year
A. General obligation bonds payable	\$ 1,625,000	\$ -	\$ 255,000	\$ 1,370,000	\$ 265,000
B. Limited obligation bonds payable	1,665,000	-	315,000	1,350,000	325,000
C. Three mill notes payable	534,000	-	122,000	412,000	130,000
D. Compensated absences payable	141,822	-	42,590	99,232	4,962
Total	\$ 3,965,822	\$ -	\$ 734,590	\$ 3,231,232	\$ 724,962

**A. General obligation bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. General Obligation Refunding Bonds, Series 2009	3.8%	9/14/2009	9/15/2019	\$ 2,490,000	\$ 1,370,000
Total				<u>\$ 2,490,000</u>	<u>\$ 1,370,000</u>

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

1. General obligation bond issue of 9/14/2009:

Year Ending June 30	Principal	Interest	Total
2016	\$ 265,000	\$ 47,025	\$ 312,025
2017	275,000	36,765	311,765
2018	285,000	26,125	311,125
2019	295,000	15,105	310,105
2020	250,000	4,750	254,750
Total	<u>\$ 1,370,000</u>	<u>\$ 129,770</u>	<u>\$ 1,499,770</u>

This debt will be retired from the Noxubee County School District's Debt Service Fund.

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2015, the amount of outstanding bonded indebtedness was equal to 2.01% of property assessments as of October 1, 2014.

**NOXUBEE COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

**B. Limited obligation bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. State Aid Capital Improvement Bonds	1.75 - 3%	3/13/2009	2/1/2018	\$ 2,905,000	\$ 1,350,000
Total				<u>\$ 2,905,000</u>	<u>\$ 1,350,000</u>

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

1. Limited obligation bond issue of 3/13/2009:

Year Ending June 30	Principal	Interest	Total
2016	\$ 325,000	\$ 33,143	\$ 358,143
2017	330,000	24,625	354,625
2018	695,000	15,410	710,410
Total	<u>\$ 1,350,000</u>	<u>\$ 73,178</u>	<u>\$ 1,423,178</u>

This debt will be retired from the Noxubee County School District's Debt Service Fund.

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



**NOXUBEE COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

**C. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Limited Tax School					
Note, Series 2002	3.75-4.25 %	10/15/2002	10/15/2017	\$ 1,400,000	\$ 412,000
Total				<u>\$ 1,400,000</u>	<u>\$ 412,000</u>

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

1. Three mill notes payable issue of 10/15/2002:

Year Ending June 30	Principal	Interest	Total
2016	\$ 130,000	\$ 14,647	\$ 144,647
2017	137,000	9,040	146,040
2018	145,000	3,081	148,081
Total	<u>\$ 412,000</u>	<u>\$ 26,768</u>	<u>\$ 438,768</u>

This debt will be retired from the Noxubee County School District's Debt Service Fund.

**D. Compensated absences payable**

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

**NOXUBEE COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

**Note 7 – Short-Term Financing**

During the fiscal year ended June 30, 2015, the school district participated in the following short-term financing for the purpose of paying district expenditures:

A. Bank-financed short term debt.

The school district issued a revenue anticipation note payable to Trustmark National Bank. Once the cash flow was available, the district made a payment consisting of principal and interest to the trustee.

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

B. Changes in short-term debt activity recorded in the governmental activities during fiscal year 2015 are as follows:

Description	Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015
1. Tax and Revenue				
Anticipation Note				
Series 2014	\$ -	\$ 1,000,000	\$ 1,000,000	\$ -
Total	\$ -	\$ 1,000,000	\$ 1,000,000	\$ -

**Note 8 – Defined Benefit Pension Plan**

**General Information about the Pension Plan**

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

*Benefits provided.* Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's

**NOXUBEE COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

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 \$1,430,955, \$1,474,854 and \$1,377,975, 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 \$18,601,258 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2014, The school district's proportion was 0.153246 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$1,078,771. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 290,174	\$ -
Net difference between projected and actual earnings on pension plan investments	-	2,696,389
Changes of assumptions	-	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	503,235
District contributions subsequent to the measurement date	1,430,955	-
Total	\$ <u>1,721,129</u>	\$ <u>3,199,624</u>

**NOXUBEE COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

\$1,430,955 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (750,738)
2017	(750,738)
2018	(733,876)
2019	(674,098)
2020	-
Thereafter	-

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

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

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 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.

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

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

**NOXUBEE COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

*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	\$ 25,359,062	\$ 18,601,258	\$ 12,964,245

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

**Note 9 – Sixteenth Section Lands**

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30	Amount
2016	\$ 328,252
2017	322,845
2018	292,598
2019	241,465
2020	226,449
2021 – 2025	935,668
2026 – 2030	866,722
2031 – 2035	818,660
2036 – 2040	524,040
2041 – 2045	363,674
2046 – 2050	295,164
2051 – 2055	282,680
2056 – 2057	2,206
Total	<u>\$ 5,500,423</u>

**NOXUBEE COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

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

A general listing of the individual funds that have a deficit fund balance, including amounts of the deficit, is as follows:

Fund	Fund Balance
1120 - District Maintenance Fund	\$ (463,217)
1157 - NCSD Athletic Fund	(2,340)
1158 - State Championship	(2,546)

The deficit fund balances, as listed above, are in violation of Section 37-61-19, Miss. Code Ann. (1972), which imposes personal liability on any school official who knowingly enters into any contract, incurs any liability, or makes any expenditure in excess of the resources available for the fiscal year under certain circumstances.

**Note 11 – Prior Period Adjustments**

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Implementation of GASB 68 and 71:	\$
Net pension liability (measurement date)	(21,906,791)
Deferred outflows - contributions made during fiscal year 2014	<u>1,474,854</u>
Total prior period adjustment related to GASB 68 and 71	(20,431,937)
2. Correction of prior year's accounts payable	73,652
3. Correction of prior year's accumulated depreciation	<u>(42,978)</u>
Total	<u><u>\$ (20,401,263)</u></u>

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

Fund	Explanation	Amount
General Fund	Correction of prior year accounts payable	\$ 66,965
Other governmental funds	Correction of prior year accounts payable	<u>6,687</u>
Total		<u><u>\$ 73,652</u></u>

**NOXUBEE COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

**Note 12 – Fund Reclassification**

A fund reclassification in the amount of \$14,639 was needed to report Sixteenth Section Interest Funds, previously reported as Special Revenue Funds in prior years, as General Funds for fiscal year ended June 30, 2015.

**Note 13 – 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 of some of these cases, however there are two identified in the subsequent paragraphs the school district's legal counsel believes will have a material adverse effect on the financial condition of the school district and are reported as claims and judgments payable on the financial statements.

There are multiple claims pending for overtime pay. Numbers of or alleged financial exposure of the District is not ascertainable or identifiable to any sufficient certifiable amount. The District has negotiated and settled these alleged claims in house with an opportunity to make installment payments. Nevertheless, based on best information available at present, the estimation of exposure is approximately \$180,000 to \$210,000 for the overtime cases for non-exempt classified individuals. However, the final amount of payment is dependent on the District making payments to the claimants as set out in the agreement with the United States of Department of Labor. The number of individuals included in the overtime cases is approximately 88.

There are multiple claims for alleged bus accident victims pending. Some originating as far back as 2011/2012 school year. The exact number of alleged claims or financial exposure of the District is not ascertainable or identifiable to any reasonable degree of certainty to be able to give any sufficient certifiable dollar amount of total exposure. Nevertheless, based on the best information available at present, the estimation financially is approximately \$100,000.00 for the School Bus accident related cases. These will be defended aggressively and vigorously until, if it does become clear, a compromise and settlement may be in the best interest of the School District.

**Note 14 – Risk Management**

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

## **NOXUBEE COUNTY SCHOOL DISTRICT**

### **Notes to Financial Statements**

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

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

The unrestricted net position amount of \$ (19,644,359) includes the effect of deferring the recognition of expenses resulting from deferred outflow from pensions. The \$ 1,721,129 balance of the deferred outflow of resources at June 30, 2015 will be recognized as expenses and decrease unrestricted net position over the next 3 years

The unrestricted net position amount of \$ (19,644,359) includes the effect of deferring the recognition of revenue resulting from deferred inflow from pensions. The \$3,199,624 balance of the deferred inflow of resources at June 30, 2015 will be recognized as revenue and increase unrestricted net position over the next 4 years

#### **Note 16 - Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Noxubee County School District evaluated the activity of the district through May 7, 2018, (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

- Approved bid to replace roof at Earl Nash Elementary in the amount of \$346,622 on December 7, 2015.
- Approved resolution to borrow \$800,000 on a tax anticipation loan on June 6, 2016.
- Approved purchase of school buses in the amount of \$250,000 on July 11, 2016.
- Finalized purchase of old Four County Electric building in the amount of \$235,000 on April 10, 2017.
- There are on-going discussions with the Mississippi Department of Education regarding the takeover of the district. As of the date of this report no final decision has been made.



**REQUIRED SUPPLEMENTARY INFORMATION**

**NOXUBEE COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 3,299,243	\$ 3,299,243	\$ 3,457,172	\$ -	\$ 157,929
State sources	8,264,979	8,264,979	8,385,026	-	120,047
Federal sources	149,279	149,279	176,682	-	27,403
Sixteenth section sources	-	-	1,124,199	-	1,124,199
Total Revenues	11,713,501	11,713,501	13,143,079	-	1,429,578
<b>Expenditures:</b>					
Instruction	6,830,409	6,830,409	6,678,010	-	152,399
Support services	4,726,844	4,726,844	5,248,318	-	(521,474)
Noninstructional services	-	-	763	-	(763)
Sixteenth section	-	-	34,934	-	(34,934)
Debt service:					
Interest	-	-	31,694	-	(31,694)
Total Expenditures	11,557,253	11,557,253	11,993,719	-	(436,466)
Excess (Deficiency) of Revenues over (under) Expenditures	156,248	156,248	1,149,360	-	993,112
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	1,087,034	1,087,034	385,693	-	(701,341)
Operating transfers out	(760,117)	(760,117)	(634,766)	-	125,351
Other financing uses	-	-	(310,000)	-	(310,000)
Total Other Financing Sources (Uses)	326,917	326,917	(559,073)	-	(885,990)
Net Change in Fund Balances	483,165	483,165	590,287	-	107,122
<b>Fund Balances:</b>					
July 1, 2014, as previously reported	548,170	548,170	(137,265)	-	(685,435)
Prior period adjustments	-	-	66,965	-	66,965
Fund reclassification	-	-	14,639	-	14,639
July 1, 2014, as restated	548,170	548,170	(55,661)	-	(603,831)
June 30, 2015	\$ 1,031,335	\$ 1,031,335	\$ 534,626	\$ -	\$ (496,709)

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

**NOXUBEE COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Child Nutrition Fund**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 75,900	\$ 75,900	\$ 70,844	\$ -	\$ (5,056)
State sources	13,000	13,000	13,140	-	140
Federal sources	1,030,000	1,030,000	1,231,293	-	201,293
Total Revenues	1,118,900	1,118,900	1,315,277	-	196,377
<b>Expenditures:</b>					
Support services	112,069	112,069	135,270	-	(23,201)
Noninstructional services	1,013,138	1,013,138	935,980	-	77,158
Total Expenditures	1,125,207	1,125,207	1,071,250	-	53,957
Excess (Deficiency) of Revenues over (under) Expenditures	(6,307)	(6,307)	244,027	-	250,334
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(260,323)	(260,323)	(237,161)	-	23,162
Total Other Financing Sources (Uses)	(260,323)	(260,323)	(237,161)	-	23,162
Net Change in Fund Balances	(266,630)	(266,630)	6,866	-	273,496
Fund Balances:					
July 1, 2014,	435,000	435,000	452,733	-	17,733
Increase (Decrease) in reserve for inventory	-	-	5,966	-	5,966
June 30, 2015	\$ 168,370	\$ 168,370	\$ 465,565	\$ -	\$ 297,195

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

**NOXUBEE COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**  
**Schedule Of The District's Proportionate Share Of The Net Pension Liability**  
**PERS**  
**Last 10 Fiscal Years\***

		<b>2015</b>
District's proportion of the net pension liability	\$	<u>18,601,258</u>
District's proportionate share of the net pension liability (asset)		0.153246%
District's covered-employee payroll	\$	9,364,152
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll		198.64%
Plan fiduciary net position as a percentage of the total pension liability		67.21%

The notes to 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 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.

**NOXUBEE COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**  
**Schedule of District Contributions**  
**PERS**  
**Last 10 Fiscal Years**

		<u><b>2015</b></u>
Contractually required contribution	\$	1,430,955
Contribution in relation to the contractually required contribution		1,430,955
Contribution deficiency (excess)		<u><u>-</u></u>
District's covered-employee payroll		9,085,429
Contributions as a percentage of covered-employee payroll		15.75%

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

The 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.

**NOXUBEE COUNTY SCHOOL DISTRICT**  
**Notes to Required Supplementary Information**

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

(3) Excess of Actual Expenditures Over Budget in Individual Funds.

The following funds had an excess of actual expenditures over budget for the year ended June 30, 2015:

District Maintenance Fund	\$ 445,459
Special Education Fund	72,870
Noxubee High Activity Fund	4,505
B D Liddell Elementary School Activity Fund	4,227
Wilson Activity Fund	5,188
NCSD Athletic Fund	105,421
16 <sup>th</sup> Section Interest Fund	6,934
Technology Local Fund	3,378
Title I Fund	143,983
Vocational Fund	71,281
Unemployment Compensation Fund	36,107
Tobacco Prevention Control Fund	7,520
MAEP Bond Retirement Fund	1,250

The District Maintenance Fund and NCSD Athletic Fund are in violation of Section 37-61-19, Miss Code Ann. (1972).

(4) Unbudgeted Funds.

The following funds were not budgeted for the year ended June 30, 2015 and are in violation of state law:

D M Maximus Fund  
State Championship Fund  
Extended School Year Fund  
Title I School Improvement Fund  
Title VI Rural and Low Income Grant Fund  
Homeless and Youth Grant Fund  
Educator in Residence Fund  
Dollar General Youth Literacy Fund  
Society For Science Fellowship Grant Fund  
Laura Bush Community Foundation Library Grant Fund

**NOXUBEE COUNTY SCHOOL DISTRICT**  
**Notes to Required Supplementary Information**

Pension Schedules

(1) Changes of benefit terms

There were no changes of benefit terms for the FYE 6/30/2015.

(2) Changes of assumptions

There were no changes of assumptions for the FYE 6/30/2015.

**SUPPLEMENTARY INFORMATION**



**NOXUBEE COUNTY SCHOOL DISTRICT**  
**Supplementary Information**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2015**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 355,046
National school lunch program	10.555	876,247
Summer food service program for children	10.559	18,383
Total child nutrition cluster		<u>1,249,676</u>
Total passed-through Mississippi Department of Education		<u>1,249,676</u>
Passed-through Noxubee County		
National forest-dependent rural communities	10.665	26,662
<b>Total U.S. Department of Agriculture</b>		<u>1,276,338</u>
<b><u>U.S. Department of Defense</u></b>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	42,246
<b>Total U.S. Department of Defense</b>		<u>42,246</u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	103,280
<b>Total Federal Communications Commission</b>		<u>103,280</u>
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	1,593,500
Career and technical education - basic grants to states	84.048	33,363
Education for homeless children and youth	84.196	30,330
Twenty-first century community learning centers	84.287	102,316
Rural education	84.358	1,406
Improving teacher quality-State Grants	84.367	147,833
Subtotal		<u>1,908,748</u>
Special education cluster:		
Special education - grants to states	84.027	401,254
Special education - preschool grants	84.173	14,036
Total special education cluster		<u>415,290</u>
Total passed-through Mississippi Department of Education		<u>2,324,038</u>
<b>Total U.S. Department of Education</b>		<u>2,324,038</u>
Total for All Federal Awards		<u>\$ 3,745,902</u>

**NOTES TO SCHEDULE**

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

**NOXUBEE COUNTY 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	\$ 12,854,006	9,290,679	786,049	814,124	1,963,154
Other	4,666,047	1,300,015	210,056	72,927	3,083,049
Total	<u>\$ 17,520,053</u>	<u>10,590,694</u>	<u>996,105</u>	<u>887,051</u>	<u>5,046,203</u>
Total number of students *	<u>1,745</u>				
Cost per student	<u>\$ 10,040</u>	<u>6,069</u>	<u>571</u>	<u>508</u>	<u>2,892</u>

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

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

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

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

Other - includes all 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

**OTHER INFORMATION**

**NOXUBEE COUNTY SCHOOL DISTRICT****Other Information****Statement of Revenues, Expenditures and Changes in Fund Balances****General Fund****Last Four Years****UNAUDITED**

	2015	2014*	2013*	2012*
<b>Revenues:</b>				
Local sources	\$ 3,457,172	\$ 3,301,641	\$ 3,390,545	\$ 3,226,580
State sources	8,385,026	7,851,704	8,078,722	8,083,395
Federal sources	176,682	186,610	101,910	153,355
Sixteenth section sources	1,124,199	-	-	-
Total Revenues	13,143,079	11,339,955	11,571,177	11,463,330
<b>Expenditures:</b>				
Instruction	6,678,010	7,038,703	7,390,360	7,050,750
Support services	5,248,318	5,669,902	5,450,625	5,345,811
Noninstructional services	763	-	-	-
Sixteenth section	34,934	-	-	-
Debt service:				
Principal	-	801,901	143,113	139,814
Interest	31,694	5,898	7,768	11,066
Total Expenditures	11,993,719	13,516,404	12,991,866	12,547,441
Excess (Deficiency) of Revenues over (under) Expenditures	1,149,360	(2,176,449)	(1,420,689)	(1,084,111)
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	-	750,000	-	152,044
Insurance recovery	-	54,466	12,834	18,289
Operating transfers in	385,693	1,023,906	1,350,701	1,160,724
Operating transfers out	(634,766)	(456,692)	(420,075)	(616,062)
Other financing uses	(310,000)	-	-	(191)
Total Other Financing Sources (Uses)	(559,073)	1,371,680	943,460	714,804
Net Change in Fund Balances	590,287	(804,769)	(477,229)	(369,307)
<b>Fund Balances:</b>				
Beginning of period, as previously reported	(137,265)	659,938	998,869	1,368,755
Prior period adjustments	66,965	7,566	138,298	(579)
Fund reclassifications	14,639			
Beginning of period, as restated	(55,661)	667,504	1,137,167	1,368,176
End of Period	\$ 534,626	\$ (137,265)	\$ 659,938	\$ 998,869

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**NOXUBEE COUNTY SCHOOL DISTRICT****Other Information****Statement of Revenues, Expenditures and Changes in Fund Balances****All Governmental Funds****Last Four Years****UNAUDITED**

	2015	2014*	2013*	2012*
<b>Revenues:</b>				
Local sources	\$ 4,021,460	\$ 3,897,834	\$ 3,909,016	\$ 3,673,141
State sources	9,455,710	8,818,808	9,097,816	9,245,120
Federal sources	3,792,642	3,558,164	3,886,266	4,695,416
Sixteenth section sources	1,287,667	359,488	369,040	532,921
Total Revenues	18,557,479	16,634,294	17,262,138	18,146,598
<b>Expenditures:</b>				
Instruction	8,194,126	8,328,346	9,211,273	9,551,327
Support services	7,315,282	7,596,404	7,328,690	7,411,575
Noninstructional services	1,096,915	1,147,959	1,098,748	1,087,804
Sixteenth section	71,036	73,588	139,072	87,875
Debt service:				
Principal	692,000	1,476,901	1,083,113	467,814
Interest	149,444	145,409	174,298	200,682
Other	1,250	-	-	-
Total Expenditures	17,520,053	18,768,607	19,035,194	18,807,077
Excess (Deficiency) of Revenues over (under) Expenditures	1,037,426	(2,134,313)	(1,773,056)	(660,479)
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	-	750,000	-	152,044
Insurance recovery	-	54,466	12,834	18,289
Operating transfers in	1,020,459	1,484,701	1,770,776	1,931,583
Operating transfers out	(1,020,459)	(1,484,701)	(1,770,776)	(1,931,583)
Other financing uses	(310,000)	-	-	(191)
Total Other Financing Sources (Uses)	(310,000)	804,466	12,834	170,142
Net Change in Fund Balances	727,426	(1,329,847)	(1,760,222)	(490,337)
<b>Fund Balances:</b>				
Beginning of period, as previously reported	1,992,838	2,977,757	4,638,838	5,150,159
Prior period adjustments	73,652	334,656	93,094	(19,672)
Beginning of period, as restated	2,066,490	3,312,413	4,731,932	5,130,487
Increase (Decrease) in reserve for inventory	5,966	10,272	6,047	(1,312)
End of Period	\$ 2,799,882	\$ 1,992,838	\$ 2,977,757	\$ 4,638,838

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**REPORTS ON INTERNAL CONTROL AND COMPLIANCE**



**WATKINS, WARD and STAFFORD**  
Professional Limited Liability Company  
Certified Public Accountants

James L. Stafford, CPA	Thomas J. Browder, CPA
Harry W. Stevens, CPA	Stephen D. Flake, CPA
S. Keith Winfield, CPA	John N. Russell, CPA
William B. Staggers, CPA	Thomas A. Davis, CPA
Michael W. McCully, CPA	Anita L. Goodrum, CPA
Mort Stroud, CPA	Ricky D. Allen, CPA
R. Steve Sinclair, CPA	Jason D. Brooks, CPA
Marsha L. McDonald, CPA	Robert E. Cordle, Jr., CPA
Wanda S. Holley, CPA	Perry C. Rackley, Jr., CPA
Robin Y. McCormick, CPA/PFS	Jerry L. Gammel, CPA
J. Randy Scrivner, CPA	Michael C. Knox, CPA
Kimberly S. Caskey, CPA	Clifford P. Stewart, CPA
Susan M. Lummus, CPA	

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

To the Superintendent and School Board  
Noxubee County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Noxubee County School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the Noxubee County School District's basic financial statements and have issued our report thereon dated May 7, 2018. Our report includes a qualified opinion due to minutes of the board meetings not being available for the months of August 2014 and July 2015 and the fact that we could not perform other satisfactory audit procedures to verify decisions made by those charged with governance during these months that could have a material effect on the financial statements.

**Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. **Finding 2015-01, 2015-03, 2015-04 and 2015-05.**

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies. **Finding 2015-06 and 2015-07.**

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Noxubee County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items **Finding 2015-01, 2015-02 and 2015-03**.

## **Noxubee County School District's Responses to Findings**

Noxubee County School District's responses to the findings identified in our audit is described in the accompanying Corrective Action Plan. Noxubee County School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **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.

Watkins, Ward and Stafford, PLLC

Jackson, Mississippi

May 7, 2018

*Watkins Ward and Stafford, PLLC*





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

To the Superintendent and School Board  
Noxubee County School District

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

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

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Noxubee County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Noxubee County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Basis for Qualified Opinion on Title I Grants to Local Educational Agencies***

As described in the accompanying schedule of findings and questioned costs, the Noxubee County School District did not comply with requirements regarding CFDA 84.010 Title I grants to local educational agencies as described in finding number **2015-09** for Cash Management. Compliance with this requirement is necessary, in our opinion, for the Noxubee County School District to comply with the requirements applicable to that program.

***Qualified Opinion on Title I Grants to Local Educational Agencies***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Noxubee County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 84.010 Title I grants to local educational agencies for the year ended June 30, 2015.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the Noxubee County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

### **Other Matters**

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item **Finding 2015-08**. Our opinion on each major federal program is not modified with respect to these matters.

Noxubee County School District's response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. Noxubee County School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Management of the Noxubee County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Noxubee County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Noxubee County School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item **Finding 2015-09** to be a material weakness.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items **Finding 2015-10, 2015-11, 2015-12 and 2015-13** to be significant deficiencies.

### **Noxubee County School District's Responses to Findings**

Noxubee County School District's responses to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. Noxubee County School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### **Purpose of this Report**

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.

Watkins, Ward and Stafford, PLLC

Jackson, Mississippi  
May 7, 2018

*Watkins Ward and Stafford, PLLC*

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



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

To the Superintendent and School Board  
Noxubee County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Noxubee County School District as of and for the year ended June 30, 2015, which collectively comprise Noxubee County School District's basic financial statements and have issued our report thereon dated May 7, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our report differed from the standard report because of a scope limitation due to minutes of the board meetings not being available for the months of August 2014 and July 2015 and the fact that we could not perform other satisfactory audit procedures to verify decisions made by those charged with governance during these months that could have a material effect on the financial statements.

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

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

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the instances of noncompliance described in **Findings 2015-01, 2015-02 and 2015-03** in the Schedule of Findings and Questioned Costs and the following immaterial instance of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

1. Purchasing Agents Should Be Bonded for the Statutorily Required Amount with the Bond Recorded in the Chancery Clerk's Office

Finding

Section 37-39-21 requires that purchasing agents shall be bonded for at least \$50,000 and those bonds shall be recorded and on file at the chancery clerk's office. During our review of surety bonds we noted no surety bond coverage was obtained for one purchasing agent.

Recommendation

We recommend the school district comply with all applicable code sections and bond applicable personnel for the appropriate amounts with those bonds being recorded and on file in the chancery clerk's office.

School District's Response

Any purchasing agent for the district will be bonded in the future.

2. Annual Public Depositors Report Should Be Submitted to the Mississippi Treasury Department Within 30 Days of Fiscal Year End

Finding

Section 27-105-5, Miss Code Ann. (1972) requires a public depositor to file an annual report with the State Treasurer that contains the name of the public depositor, its tax identification number and provide a list of all bank accounts that are held by that depositor within 30 days of fiscal year end. The public depositor is also required to review the information on quarterly reports received by the public depositor from the State Treasurer to ensure that the information regarding accounts held by the public depositor are being corrected reported to the State Treasurer Office.

Per our audit procedures performed we noted that the annual report was not submitted to the State Treasurer's Office within 30 days of fiscal year end. The report was submitted on August 24, 2015. The report also did not contain all of the accounts maintained by the district. Four (4) bank accounts were omitted from the report

Recommendation

We recommend the district comply with Section 27-105-5, Miss Code Ann. (1972) which requires a public depositor to file an annual report with the State Treasurer that contains the name of the public depositor, its tax identification number and provide a list of all bank accounts that are held by that depositor within 30 days of fiscal year end. District personnel should also review the information on quarterly reports received by the public depositor from the State Treasurer to ensure that the information regarding accounts held by the public depositor are being corrected reported to the State Treasurer Office.

School District's Response

The Annual Public Depositors Report will be filed on time in the future.

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

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

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

Watkins, Ward and Stafford, PLLC

*Watkins Ward and Stafford, PLLC*

Jackson, Mississippi  
May 7, 2018

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**NOXUBEE COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Section I: Summary of Auditors' Results

Financial Statements:

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

Federal Awards:

- | 4.                  | Internal control over major programs:   |                     |   |        |  |               |                           |  |
|---------------------|---|---------------------|---|--------|--|---------------|---------------------------|--|
|                     | a. Material weakness(es) identified? (Yes/No)   | Yes                 |   |        |  |               |                           |  |
|                     | b. Significant deficiency(ies) identified? (Yes/None reported)  | Yes                 |   |        |  |               |                           |  |
| 5.                  | Type of auditors' report issued on compliance for major programs:   |                     |   |        |  |               |                           |  |
|                     | Title I Grants to Local Educational Agencies  | Qualified           |   |        |  |               |                           |  |
|                     | Special Education Cluster   | Unmodified          |   |        |  |               |                           |  |
| 6.                  | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? (Yes/No)   | Yes                 |   |        |  |               |                           |  |
| 7.                  | Identification of major programs:   |                     |   |        |  |               |                           |  |
|                     | <table border="0" style="width: 100%;"> <tr> <th style="text-align: left;"><u>CFDA Numbers</u></th> <th style="text-align: left;"><u>Name of Federal Program or Cluster</u></th> </tr> <tr> <td>84.010</td> <td>Title 1 Grants to Local Educational Agencies</td> </tr> <tr> <td>84.027/84.173</td> <td>Special Education Cluster</td> </tr> </table> | <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> | 84.010 | Title 1 Grants to Local Educational Agencies | 84.027/84.173 | Special Education Cluster |  |
| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u>   |                     |   |        |  |               |                           |  |
| 84.010              | Title 1 Grants to Local Educational Agencies  |                     |   |        |  |               |                           |  |
| 84.027/84.173       | Special Education Cluster   |                     |   |        |  |               |                           |  |
| 8.                  | Dollar threshold used to distinguish between type A and type B programs:  | \$300,000           |   |        |  |               |                           |  |
| 9.                  | Auditee qualified as low-risk auditee? (yes/no)   | No                  |   |        |  |               |                           |  |



## Section II: Financial Statement Findings

### **Material Weakness and Material Noncompliance**

#### District Should Have Financial Statements Prepared by October 15<sup>th</sup> Deadline

##### 2015-01 Finding

Section 37-61-21(2), Miss. Code Ann. (1972), states on or before the fifteenth day of October of each year, the local school district, with the assistance of the school district superintendent, shall prepare and file with the State Department of Education year-end financial statements and any other budgetary information that the State Board of Education may require. The State Board of Education shall prescribe and provide forms to each school district for this purpose. No additional changes may be made to the financial statements after October 15 of each year.

The District filed year-end financial statements (FETS) with the State Board of Education on November 9, 2015. Numerous changes were made to the year-end financial after that date in order to complete the financial statements for audit.

This noncompliance occurred because the district did not follow the requirements of Section 37-61-21-(2), Miss. Code Ann. (1972).

##### Recommendation

We recommend the district comply with Section 37-61-21(2), Miss Code Ann. (1972), by preparing and filing the financial information on or before October 15 following the close of the fiscal year.

### **Material Noncompliance**

#### The District Should Escrow Ad Valorem Collections In Excess of Amounts That Are Allowable

##### 2015-02 Finding

Sections 37-57-105 and 37-57-1, Miss. Code Ann. (1972) requires the district to request to the levying authority of the district ad valorem taxes for operations that are within allowable limits under statutory regulations. Ad valorem taxes for operations collected above the statutorily defined limits are required to be escrowed. A fund balance reservation is required for the amount of the escrow and the escrow would decrease the ad valorem tax request for operations for the subsequent tax year.

Per audit procedures performed on the district's ad valorem tax for operations base calculation we noted that the district should have escrowed \$158,386 of ad valorem taxes and have designated a fund balance reservation of this amount in the District Maintenance Fund on the year-end financial statements submitted to the Mississippi Department of Education. The escrow was also not included in the subsequent year's ad valorem tax calculation as a reduction in the amount of ad valorem taxes for operation request submitted to the levying authority.

##### Recommendation

We recommend the district comply with Sections 37-57-105 and 37-57-1, Miss. Code Ann. (1972) and escrow any ad valorem taxes for operations collected above the statutorily defined limits. We propose a fund balance reservation in the amount of \$158,386. We also propose that any escrow would decrease the ad valorem tax request for operations for the subsequent tax year.

## **Material Weakness and Material Noncompliance**

### School District Budgets Should Be Prepared and Approved as Set Forth in State Laws

#### 2015-03 Finding

Section 37-61-9, Miss. Code Ann. (1972), requires that on or before the fifteenth day of August of each year the local school board of each school district, with the assistance of the superintendent of schools, shall prepare and file with the levying authority for the school district at least two copies of a budget of estimated expenditures for the support, maintenance and operation of the public schools of the school district for the fiscal year commencing on July 1 of such year. Such budget shall be prepared on forms prescribed and provided by the State Auditor and shall contain information the State Auditor may require.

Section 37-61-21(1), Miss. Code Ann. (1972), requires "the revised portions of the budgets shall be incorporated in the minutes of the school board by spreading them in the minutes or by attaching them as an addendum. Final budget revisions, pertinent to a fiscal year, shall be approved on or before the date set by the State Board of Education for the school district to submit its financial information for that fiscal year."

We noted that no final amended budget was approved in the board minutes.

Inadequate controls concerning budgeting resulted in noncompliance with Sections 37-61-19 and 37-61-21(1), Miss. Code Ann. (1972).

#### Recommendation

We recommend that the district comply with Sections 37-61-9 and 37-61-21(1), Miss. Code Ann. (1972), by preparing both a combined and a combining final amended budget and by obtaining school board approval of any budget amendments throughout the fiscal year and the final budget revisions. In addition, the board should provide documentation of the approved revisions in the minutes of the board meeting or as an addendum to the board minutes.

## **Material Weakness**

### Minutes of Meetings of the Board of Education Could Not Be Examined

#### 2015-04 Finding

Management is responsible for establishing a proper internal control system. An important part of the internal control system involves proper monitoring of school district activities by those charged with governance of the district. An important component of this monitoring involves documenting, in the form of minutes, meetings of the board of the school district that sufficiently document items brought to the board of education for approval and other significant decisions that are made by the board of education.

During our audit procedures, we inquired of management to provide us copies of all the minutes of the board meetings for our fiscal year, as well as those subsequent to our fiscal year. Management could not provide us minutes for the meetings held in the months of August 2014 and July 2015.

#### Recommendation

We recommend that the management of the district prepare minutes of all board meetings that sufficiently document items brought to the board of education for approval and other significant decisions that are made by the board of education.

## **Material Weakness**

### Payroll Expenditures Should Be Supported By Adequate Documentation

#### 2015-05 Finding

Management is responsible for ensuring that all payroll expenditures made by the district are adequately documented in a timely manner.

During our tests of internal controls related to payroll expenditures we noted the following:

- 28 occasions where an employee's rate of pay and position could not be traced to board approval of the applicable rate of pay and position.
- 8 occasions where an employee did not have a federal or state withholding form on file.
- We noted that the district paid bonuses to the coaching staff. These bonuses were not paid through payroll but as contract labor. We also did not note board approval for payment of these bonuses.
- We noted no documentation that the district approved a certified employee pay scale that complied with the 2015 updated MAEP salary scale. The salary scale approved in the board minutes was below the required 2015 MAEP pay scale, however all certified employees payroll we tested were above the amounts approved in the board minutes. We could not reconcile any employee's pay rate to an amount that was documented as approved in the board minutes.

Payment of wages without adequate records could result in employees being improperly compensated. In addition, untimely reconciliation of payroll liabilities to the general ledger could result in inaccurate reporting of the financial statements.

#### Recommendation

We recommend the district maintain adequate records for all personnel to support expenditures prior to payment and reconcile payroll liabilities in a timely manner.

## **Significant Deficiencies Not Considered To Be a Material Weakness**

### Internal Control Over General Disbursements Should Be Strengthened

#### 2015-06 Finding

##### Finding

Per our testing of general disbursements we noted the following control deficiencies:

- We noted 12 instances of a paid invoice that could not be traced to board approval of that claim.
- We noted 3 instances where an invoice was not approved for payment by the appropriate schools personnel prior to payment of the applicable invoice.
- We noted 2 instances of credit card purchases that did not contain sufficient documentation related to the purpose of the transaction and whether or not the purchase was school related.
- We noted 2 instances where a purchase order was dated after the purchase had occurred.

Lack of adequate internal controls surrounding the approval of expenditures and over general disbursement could result in expenditures being made that were not properly authorized and misappropriation of public funds.

#### Recommendation

We recommend the district implement controls and procedures to ensure that all expenditures are properly authorized and considered reasonable and necessary to the operation of the district.

## **Significant Deficiencies Not Considered To Be a Material Weakness**

### Internal Controls Over Activity Fund Receipts Should Be Strengthened

#### 2015-07 Finding

During our testing of activity fund receipts we noted the following deficiencies:

- We noted two instances where athletic event gate receipts were not deposited in a timely manner.
- We noted that start up cash for athletic events is not being redeposited in a timely manner nor is it being monitored by central office personnel to ensure that all of these funds are redeposited.

Without proper internal controls being in place to account for all monetary transactions, the district increases the risk of misappropriation of assets and inaccurate recording of revenue.

#### Recommendation

We recommend the district implement internal controls to ensure that all deposits are made daily, and the start up cash used for these athletic event are properly monitored by management to ensure that all of these funds are redeposited.

### Section III: Federal Award Findings and Questioned Costs

## **Significant Deficiencies Not Considered To Be A Material Weakness**

### Internal Controls Surrounding Daily Food Sales Should Be Strengthened

#### 2015-08 Finding

Management is responsible for complying with the requirements of the Mississippi Department of Education Child Nutrition Programs Policy and Procedures Manual, which recommends that two separate individuals be involved in cashiering, cash collection, daily reconciliations and deposits. Management is responsible for ensuring that all receipts are correctly recorded and deposited in order to safeguard the assets of the district.

During our test work performed on daily food sales for the month of October 2014, we noted two (2) occasions where a cafeteria manager signed off on a daily cash report prior to that day's activity. This left only the cafeteria cashier to verify the cash total for that day.

Inadequate internal controls surrounding collection of receipts in child nutrition could result in misappropriation of assets and improper revenue recognition.

#### Recommendation

We recommend that the district follow the Mississippi Department of Education Child Nutrition Programs Policy and Procedures Manual by requiring more than one individual be involved in cash collection, daily reconciliation and deposit functions of daily food sales.

## **Material Weakness**

### Internal Controls Over Requesting Federal Funds Should Be Strengthened

Program: Title I Grants to Local Educational Agencies, Passed-through the Mississippi Department of Education – CFDA 84.010

Compliance requirement: Cash Management

#### 2015-09 Finding

Management is responsible for compliance with the cash management requirements of the OMB Compliance Circular. The requirements state that “When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government”.

During our testing of cash management over the Title 1 program we noted the district has \$185,520 of unearned Title I funds recorded as a liability as of the end of the fiscal year. These are funds the district has requested and received but have not spent.

Inadequate internal controls over requesting federal funds could result in the district requesting federal funds before actual program expenditures are incurred.

#### Recommendation

We recommend the district only request federal funds after the applicable program costs have been paid for the district.

## **Significant Deficiencies Not Considered To Be a Material Weakness**

### Payroll Expenditures Should Be Supported By Adequate Documentation

Program: Title I Grants to Local Educational Agencies, Passed-through the Mississippi Department of Education – CFDA 84.010  
Special Education Cluster- Special Education Grants to States – CFDA 84.027 and Special Education – Preschool Grants – CFDA 84.173

Compliance requirement: Allowable Costs / Cost Principles

#### 2015-10 Finding

Management is responsible for ensuring that all payroll expenditures made by the district are adequately documented in a timely manner.

During our tests of internal controls related to payroll expenditures we noted the following deficiencies involving personnel paid with Title 1 Funds:

- 14 occasions where an employee's rate of pay and position could not be traced to board approval of the applicable rate of pay and position.
- 3 occasions where an employee did not have a federal or state withholding form on file.
- We noted 3 occasions where an employee that was paid from more than one cost objective did not have prorated time keeping records to support the amount the employee was paid from federal funds.

During our tests of internal controls related to payroll expenditures we noted the following deficiencies involving personnel paid with Special Education Funds:

- 3 occasions where an employee's rate of pay and position could not be traced to board approval of the applicable rate of pay and position.
- 5 occasions where an employee did not have a federal or state withholding form on file.
- We noted 6 occasions where an employee that was paid 100% from one federal cost objective did not have semi-annual certifications on file certifying that the employee did only perform duties under that applicable cost objective.

Payment of wages without adequate records could result in the employees being improperly compensated and the district requesting federal funds for unallowable activities

#### Recommendation

We recommend the district maintain adequate records for all personnel to support expenditures prior to payment.

### **Significant Deficiencies Not Considered To Be a Material Weakness**

#### General Expenditures Should Be Supported By Adequate Documentation

Program: Title I Grants to Local Educational Agencies, Passed-through the Mississippi Department of Education – CFDA 84.010  
Special Education Cluster- Special Education Grants to States – CFDA 84.027 and Special Education – Preschool Grants – CFDA 84.173

Compliance requirement: Allowable Costs / Cost Principles

#### 2015-11 Finding

Per our testing of general disbursements we noted the following control deficiencies involving general disbursements paid with Title 1 Funds:

- We noted 3 instances of a paid invoice that could not be traced to board approval of that claim.

Per our testing of general disbursements we noted the following control deficiencies involving general disbursements paid with Special Education Funds:

- We noted 1 instances of a paid invoice that could not be traced to board approval of that claim.
- We noted 2 instances where a purchase order was dated after the purchase had occurred.

Lack of adequate internal controls surrounding the approval of expenditures and over general disbursement could result in expenditures being made that were not properly authorized and the district requesting federal funds for unallowable activities.

#### Recommendation

We recommend the district implement controls and procedures to ensure that all expenditures are properly authorized and considered reasonable and necessary to the applicable federal program.

## **Significant Deficiencies Not Considered To Be a Material Weakness**

### District Personnel Should Reimburse Indirect Costs at Allowable Amounts

Program: Title I Grants to Local Educational Agencies, Passed-through the Mississippi Department of Education – CFDA 84.010

Compliance requirement: Allowable Costs / Cost Principles

Questioned Costs: \$8,538

#### 2015-12 Finding

Management is responsible for calculating and reimbursing indirect costs at the allowable rate and in accordance with the program budget.

During our testing the Title I program we noted the district personnel reimbursed indirect costs of \$28,000 from the Title I program during the fiscal year. However, per review of the final approved Title I program budget the district was only allowed to claim \$19,462 of indirect costs for the fiscal year. The district paid \$8,538 of excess indirect costs from the Title I program during the fiscal year.

Inadequate controls over the calculation of indirect costs could result in the district requesting federal funds for expenditures that are unallowable.

#### Recommendation

We recommend the district implement controls and procedures to ensure that indirect costs are paid in accordance with applicable federal regulations and do not exceed the amount budgeted in the applicable program.

## **Significant Deficiencies Not Considered To Be a Material Weakness**

### The District Should Not Pay Unemployment Claims with Federal Funds

Program: Title I Grants to Local Educational Agencies, Passed-through the Mississippi Department of Education – CFDA 84.010

Compliance requirement: Allowable Costs / Cost Principles

Questioned Costs: \$5,578

#### 2015-13 Finding

Management is responsible for ensuring the all expenditures that will be reimbursed with federal funds are allowable and program related.

During our audit of the Title 1 program we noted that the district transferred \$5,578 to the unemployment compensation fund for payment of unemployment claims during the fiscal year. These unemployment claims are not deemed to be program related and are considered a questioned cost.

Inadequate controls over review and approval of expenditures could result in the district requesting federal reimbursement for expenditures that are unallowable.

#### Recommendation

We recommend the district not transfer any funds from the Title I program for payment of unemployment claims. Unemployment claims are not deemed to be program related and are considered a questioned cost.

**AUDITEE'S CORRECTIVE ACTION PLAN**





Roger W. Liddell.  
Superintendent of Education

## Noxubee County School District

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Yolanda Atkins, Vice Chairperson  
Betty Chandler, Board Secretary  
Narvel Coleman, Board Member  
Earl Stewart, Board Member*

Joann Grassaree  
Secretary

Auditee's Corrective Action Plan  
For the Year Ended June 30, 2015

Finding	District's Response
2015-01	<p><b>Name of Contact Person Responsible for Corrective Action:</b> Pam Norris</p> <p><b>Corrective Action Planned</b> The district will comply with 37-61-21(2), Miss Code Ann. (1972) and ensure that all future Financial Statements are prepared on or before October 15<sup>th</sup>.</p> <p><b>Anticipated Completion Date:</b> June 30, 2018</p>
2015-02	<p><b>Name of Contact Person Responsible for Corrective Action:</b> Pam Norris</p> <p><b>Corrective Action Planned</b> The district will comply with Sections 37-57-105 and 37-57-1, Miss. Code Ann. (1972) to ensure that all future excess ad valorem taxes are escrowed. We will work to bring the fund balance reservation up to \$158,386 or greater.</p> <p><b>Anticipated Completion Date:</b> June 30, 2018</p>
2015-04	<p><b>Name of Contact Person Responsible for Corrective Action:</b> Pam Norris</p> <p><b>Corrective Action Planned</b> The district management team will ensure that all future minutes of all board meetings that sufficiently document items brought to the board of education for approval and other significant decisions that are made by the board of education.</p> <p><b>Anticipated Completion Date:</b> June 30, 2018</p>
2015-05	<p><b>Name of Contact Person Responsible for Corrective Action:</b></p>

	<p><b>Pam Norris</b></p> <p><b>Corrective Action Planned</b> The district management team will maintain adequate records for all personnel to support expenditures prior to payment and reconcile payroll liabilities in a timely manner.</p> <p><b>Anticipated Completion Date:</b> June 30, 2018</p>
2015-06	<p><b>Name of Contact Person Responsible for Corrective Action:</b> Pam Norris</p> <p><b>Corrective Action Planned</b> The district will implement controls and procedures to ensure that all expenditures are properly authorized and considered reasonable and necessary to the operation of the district.</p> <p><b>Anticipated Completion Date:</b> June 30, 2018</p>
2015-07	<p><b>Name of Contact Person Responsible for Corrective Action:</b> Pam Norris</p> <p><b>Corrective Action Planned</b> The district will implement internal controls to ensure that all deposits are made daily, and the start up cash used for these athletic event are properly monitored by management to ensure that all of these funds are redeposited.</p> <p><b>Anticipated Completion Date:</b> June 30, 2018</p>
2015-08	<p><b>Name of Contact Person Responsible for Corrective Action:</b> Pam Norris</p> <p><b>Corrective Action Planned</b> The district will follow the Mississippi Department of Education Child Nutrition Programs Policy and Procedures Manual by requiring more than one individual be involved in cash collection, daily reconciliation and deposit functions of daily food sales.</p> <p><b>Anticipated Completion Date:</b> June 30, 2018</p>
2015-09	<p><b>Name of Contact Person Responsible for Corrective Action:</b> Pam Norris</p> <p><b>Corrective Action Planned</b> The district will only request federal funds after the applicable program costs have been paid for the district.</p>

	<b>Anticipated Completion Date:</b> <b>June 30, 2018</b>
2015-10	<b>Name of Contact Person Responsible for Corrective Action:</b> <b>Pam Norris</b>  <b>Corrective Action Planned</b> <b>The district will maintain adequate records for all personnel to support expenditures prior to payment.</b>  <b>Anticipated Completion Date:</b> <b>June 30, 2018</b>
2015-11	<b>Name of Contact Person Responsible for Corrective Action:</b> <b>Pam Norris</b> <b>Corrective Action Planned</b>  <b>The district will implement controls and procedures to ensure that all expenditures are properly authorized and considered reasonable and necessary to the applicable federal program.</b>  <b>Anticipated Completion Date:</b> <b>June 30, 2018</b>
2015-12	<b>Name of Contact Person Responsible for Corrective Action:</b> <b>Pam Norris</b>  <b>Corrective Action Planned</b> <b>The district will implement controls and procedures to ensure that indirect costs are paid in accordance with applicable federal regulations and do not exceed the amount budgeted in the applicable program.</b>  <b>Anticipated Completion Date:</b> <b>June 30, 2018</b>
2015-13	<b>Name of Contact Person Responsible for Corrective Action:</b> <b>Pam Norris</b>  <b>Corrective Action Planned</b>  <b>The district will not transfer any funds from the Title I program for payment of unemployment claims. Unemployment claims are not deemed to be program related and are considered a questioned cost.</b>  <b>Anticipated Completion Date:</b> <b>June 30, 2018</b>