ABERDEEN SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2017

Bruno & Tervalon LLP
Certified Public Accountants

ABERDEEN SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

Bruno & Tervalon LLP
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Paul K. Andoh, Sr., CPA
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(Retired)
Michael B. Bruno, CPA (2011)

INDEPENDENT AUDITORS' REPORT

Superintendent and School Board
Aberdeen School District
Aberdeen, Mississippi

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the School District's Proportionate Share of the Net Pension Liability, and the Schedule of School District Contributions on pages 6-15, 50-52, 53 and 54, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required Supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITORS' REPORT
CONTINUED

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2018, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Aberdeen School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

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

March 16, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of Aberdeen School District's (School District) financial performance provides an overview of the School District's financial activities for the year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2017 decreased $2,988,886, including a prior period adjustment of $28,666, which represents a 36% decrease from fiscal year 2016. Total net position for 2016 decreased $1,549,187, including a prior period adjustment of ($603), which represents a 23% decrease from fiscal year 2015.

- General revenues amounted to $12,213,976 and $11,641,952, or 80% and 79% of all revenues for fiscal years 2017 and 2016, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for $3,030,338, or 20% of total revenues for 2017, and $3,118,583, or 21% of total revenues for 2016.

- The School District had $18,261,866 and $16,308,120 in expenses for fiscal years 2017 and 2016; only $3,030,338 for 2017 and $3,118,583 for 2016 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of $12,213,976 for 2017 and $11,641,952 for 2016 were not adequate to provide for these programs.

- Among major funds, the General Fund had $12,113,439 in revenues and $11,706,402 in expenditures for 2017, and $11,495,802 in revenues and $12,451,887 in expenditures in 2016. The General Fund's fund balance increased by $247,107 from 2016 to 2017 and decreased by $955,070 from 2015 to 2016.

- Capital assets, net of accumulated depreciation, decreased by $168,564 for 2017 and decreased by $267,770 for 2016. The decrease for 2017 was due to the disposal of mobile equipment and furniture and equipment coupled with the increase in accumulated depreciation.

- Total long-term debt decreased by $422,337 for 2017 and increased by $2,134,302 for 2016. The decrease for 2017 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by $2,817 for 2017 and decreased by $1,635 for 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

Fund Financial Statements - Governmental Funds, Continued

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two (2) statements:

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

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

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

A net pension liability results in a liability on the government-wide financial statements but is not reported on governmental funds financial statements. Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements but are reported as expenditures on the governmental funds financial statements.

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the School District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $11,313,253 as of June 30, 2017.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS, CONTINUED

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

Table 1
Condensed Statements of Net Position

	June 30, 2017	June 30, 2016	Percentage Change
Current assets	$ 4,061,245	$ 3,640,283	11.56 %
Restricted assets	789,650	2,949,261	(73.23) %
Capital assets, net	3,918,234	4,086,798	(4.12) %
Total assets	**8,769,129**	**10,676,342**	**(17.86) %**
Deferred outflows of resources	**4,636,904**	**2,953,226**	**57.01 %**
Current liabilities	110,457	134,759	(18.03) %
Long-term debt outstanding	4,063,294	4,485,631	(9.42) %
Net pension liability	20,279,293	16,496,035	22.93 %
Total liabilities	**24,453,044**	**21,116,425**	**15.80 %**
Deferred inflows of resources	**266,242**	**837,510**	**(68.21) %**
Net position:			
Net investment in capital assets	2,280,816	2,159,255	5.63 %
Restricted	1,233,252	1,336,328	(7.71) %
Unrestricted	(14,827,321)	(11,819,950)	(25.44) %
Total net position	**$ (11,313,253)**	**$ (8,324,367)**	**(35.91) %**

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	$ (14,827,321)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	15,908,631
Unrestricted net position, exclusive of the net pension liability effect	$ 1,081,310

GOVERNMENT-WIDE FINANCIAL ANALYSIS, CONTINUED

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 $168,564;
- The principal retirement of $419,520 of long-term debt; and
- Recognition of the net pension liability in the amount of $20,279,293.

The School District's total revenues for the fiscal years ended June 30, 2017 and June 30, 2016 were $15,244,314 and $14,760,535, respectively. The total cost of all programs and services was $18,261,866 for 2017 and $16,309,119 for 2016.

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

Table 2
Changes in Net Position

	Year Ended June 30, 2017	Year Ended June 30, 2016	Percentage Change
Revenues:			
Program revenues:			
Charges for services	$ 200,862	$ 65,855	205.01 %
Operating grants and contributions	2,829,476	3,052,728	(7.31) %
General revenues:			
Property taxes	5,239,643	4,966,409	5.50 %
Grants and contributions not restricted	6,793,492	6,486,798	4.73 %
Investment earnings	99,346	92,270	7.67 %
Other	81,495	96,475	(15.53) %
Total revenues	**15,244,314**	**14,760,535**	**3.28 %**
Expenses:			
Instruction	6,937,526	7,140,809	(2.85) %
Support services	7,625,010	6,570,590	16.05 %
Non-instructional	965,343	1,037,371	(6.94) %
Pension expense	2,613,733	1,418,348	84.28 %
Interest on long-term liabilities	120,254	142,001	(15.31) %
Total expenses	**18,261,866**	**16,309,119**	**11.97 %**
Decrease in net position	**(3,017,552)**	**(1,548,584)**	**(94.86) %**
Net Position, July 1, as previously reported	**(8,324,367)**	**(6,775,180)**	**(22.87) %**
Prior Period Adjustment	**28,666**	**(603)**	4,853.90 %
Net Position, July 1, as restated	**(8,295,701)**	**(6,775,783)**	**(22.43) %**
Net Position, June 30	**$ (11,313,253)**	**$ (8,324,367)**	**(35.91) %**

GOVERNMENT-WIDE FINANCIAL ANALYSIS, CONTINUED

Governmental activities

The following table presents the cost of five (5) major School District functional activities: instruction, support services, non-instructional, pension expense, and interest on long-term liabilities. The table also shows each functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State and School District's taxpayers by each of these functions.

Table 3
Net Cost of Governmental Activities

	Total Expenses 2017	Total Expenses 2016	Percentage Change
Instruction	$ 6,937,526	$ 7,140,809	(2.85) %
Support services	7,625,010	6,570,590	16.05 %
Non-instructional	965,343	1,037,371	(6.94) %
Pension expense	2,613,733	1,418,348	84.28 %
Interest on long-term liabilities	120,254	142,001	(15.31) %
Total expenses	**$ 18,261,866**	**$ 16,309,119**	**11.97 %**

	Net (Expense) Revenue 2017	Net (Expense) Revenue 2016	Percentage Change
Instruction	$ (5,544,955)	$ (5,845,693)	(5.14) %
Support services	(7,003,397)	(5,778,089)	21.21 %
Non-instructional	50,811	(6,405)	893.30 %
Pension expense	(2,613,733)	(1,418,348)	84.28 %
Interest on long-term liabilities	(120,254)	(142,001)	(15.31) %
Total net (expense) revenue	**$ (15,231,528)**	**$ (13,190,536)**	**15.47 %**

- Net cost of governmental activities ($15,231,528 for 2017 and $13,190,536 for 2016) was financed by general revenue, which is primarily made up of property taxes ($5,239,643 for 2017 and $4,966,409 for 2016) and state and federal revenues ($6,793,492 for 2017 and $6,486,798 for 2016).

- Investment earnings amounted to $99,346 for 2017 and $92,270 for 2016.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

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

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

The financial performance of the School District as a whole is reflected in its governmental funds. As the School District completed the year, its governmental funds reported a combined fund balance of $4,791,133, a decrease of $1,749,336, which includes a decrease in inventory of $4,937. $3,233,426, or 67% 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 $1,557,707, or 33% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the School District. The increase in fund balance in the General Fund for the fiscal year was $247,107. The fund balance of Other Governmental Funds showed a decrease in the amount of $119,450, which includes a decrease in inventory of $4,937. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund		Increase (Decrease)
Title I Basic Fund		no increase or decrease
EHA Part B Fund		no increase or decrease
2016 Construction Fund	$	(1,879,758)
QSCB Sinking Fund	$	2,765

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2017, the School District's total capital assets were $8,699,850, including land, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross decrease of $89,812 from 2016. Total accumulated depreciation as of June 30, 2017, was $4,781,616, and total depreciation expense for the year was $243,138, resulting in total net capital assets of $3,918,234.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2017	June 30, 2016	Percentage Change
Land	$ 142,757	$ 142,757	0.00 %
Buildings	1,428,998	1,463,118	(2.33) %
Building improvements	1,402,563	1,476,489	(5.01) %
Improvements other than buildings	575,371	613,826	(6.26) %
Mobile equipment	166,641	183,058	(8.97) %
Furniture and equipment	201,904	207,550	(2.72) %
Total	**$ 3,918,234**	**$ 4,086,798**	**(4.12) %**

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

Debt Administration. At June 30, 2017, the School District had $4,063,294 in outstanding long-term debt, of which $257,040 is due within one year. During the fiscal year, the School District made principal payments totaling $419,520 on outstanding long-term debt. The liability for compensated absences decreased $2,817 from the prior year.

Table 5
Outstanding Long-Term Debt

	June 30, 2017	June 30, 2016	Percentage Change
Three mill notes payable	$ 2,340,000	$ 2,655,000	(11.86) %
Obligations under capital leases	-	25,429	(100.00) %
Obligations under energy efficiency leases	412,418	491,509	(16.09) %
Qualified school construction bonds payable	1,225,000	1,225,000	0.00 %
Compensated absences payable	85,876	88,693	(3.18) %
Total	**$ 4,063,294**	**$ 4,485,631**	**(9.42) %**

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

CURRENT ISSUES

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

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

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

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Central Office of the Aberdeen School District, PO Drawer 607, Aberdeen, MS 39730.

FINANCIAL STATEMENTS

Statement of Net Position
June 30, 2017

Exhibit A

		Governmental Activities
Assets		
Cash and cash equivalents	$	3,680,304
Due from other governments		333,989
Accrued interest receivable		1,385
Inventories		22,439
Prepaid items		23,128
Restricted assets		789,650
Capital assets, non-depreciable:		
Land		142,757
Capital assets, net of accumulated depreciation:		
Buildings		1,428,998
Building improvements		1,402,563
Improvements other than buildings		575,371
Mobile equipment		166,641
Furniture and equipment		201,904
Total Assets		8,769,129
Deferred Outflows of Resources		
Deferred outflows related to pensions		4,636,904
Total Deferred Outflows of Resources		4,636,904
Liabilities		
Accounts payable and accrued liabilities		59,762
Interest payable on long-term liabilities		50,695
Long-term liabilities, due within one year:		
Capital related liabilities		87,746
Non-capital related liabilities		169,294
Long-term liabilities, due beyond one year:		
Capital related liabilities		1,549,672
Non-capital related liabilities		2,256,582
Net pension liability		20,279,293
Total Liabilities		24,453,044
Deferred Inflows of Resources		
Deferred inflows related to pensions		266,242
Total Deferred Inflows of Resources		266,242
Net Position		
Net investment in capital assets		2,280,816
Restricted for:		
Expendable:		
School-based activities		452,815
Debt service		755,457
Unemployment benefits		24,980
Unrestricted		(14,827,321)
Total Net Position (deficit)	$	(11,313,253)

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

Statement of Activities
For the Year Ended June 30, 2017

Exhibit B

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	$ 6,937,526	$ 139,446	$ 1,253,125	$ -	$ (5,544,955)
Support services	7,625,010	-	621,613	-	(7,003,397)
Non-instructional	965,343	61,416	954,738	-	50,811
Pension expense	2,613,733	-	-	-	(2,613,733)
Interest on long-term liabilities	120,254	-	-	-	(120,254)
Total Governmental Activities	$ 18,261,866	$ 200,862	$ 2,829,476	$ -	(15,231,528)

General Revenues:	
Taxes:	
General purpose levies	4,989,764
Debt purpose levies	249,879
Unrestricted grants and contributions:	
State	6,347,379
Federal	446,113
Unrestricted investment earnings	99,346
Other	81,495
Total General Revenues	12,213,976
Change in Net Position	(3,017,552)
Net Position - Beginning, as previously reported	(8,324,367)
Prior Period Adjustments	28,666
Net Position - Beginning, as restated	(8,295,701)
Net Position (deficit) - Ending	$ (11,313,253)

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

ABERDEEN SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2017

Exhibit C

	Major Funds						
	General Fund	Title I Basic Fund	EHA Part B Fund	2016 Construction Fund	QSCB Sinking Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	$ 3,038,268 $	- $	- $	205,714 $	2,162 $	639,874 $	3,886,018
Cash with fiscal agents	-	-	-	-	5,936	-	5,936
Investments	-	-	-	-	578,000	-	578,000
Due from other governments	133,533	91,515	61,859	-	-	47,082	333,989
Accrued interest receivable	-	-	-	-	1,385	-	1,385
Due from other funds	189,433	-	-	-	-	-	189,433
Inventories	-	-	-	-	-	22,439	22,439
Prepaid items	23,128	-	-	-	-	-	23,128
Total assets	$ 3,384,362 $	91,515 $	61,859 $	205,714 $	587,483 $	709,395 $	5,040,328
Liabilities and Fund Balances							
Liabilities:							
Accounts payable and accrued liabilities	$ 59,762 $	- $	- $	- $	- $	- $	59,762
Due to other funds	-	91,515	61,859	-	-	36,059	189,433
Total Liabilities	59,762	91,515	61,859	-	-	36,059	249,195
Fund Balances:							
Nonspendable:							
Inventory	-	-	-	-	-	22,439	22,439
Prepaid items	23,128	-	-	-	-	-	23,128
Restricted:							
Debt service	-	-	-	-	587,483	218,669	806,152
Improvements and renovations	-	-	-	205,714	-	-	205,714
Grant activities	-	-	-	-	-	407,248	407,248
Unemployment benefits	-	-	-	-	-	24,980	24,980
Assigned:							
Activity/athletic funds	68,046	-	-	-	-	-	68,046
Unassigned	3,233,426	-	-	-	-	-	3,233,426
Total Fund Balances	3,324,600	-	-	205,714	587,483	673,336	4,791,133
Total Liabilities and Fund Balances	$ 3,384,362 $	91,515 $	61,859 $	205,714 $	587,483 $	709,395 $	5,040,328

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

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position **Exhibit C-1**
June 30, 2017

Total fund balances for governmental funds		$ 4,791,133
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	$ 142,757	
Buildings	3,646,062	
Building improvements	1,848,150	
Improvements other than buildings	961,372	
Mobile equipment	983,553	
Furniture and equipment	1,117,956	
Accumulated depreciation	(4,781,616)	3,918,234
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	(20,279,293)	
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pensions	4,636,904	
Deferred inflows of resources related to pensions	(266,242)	(15,908,631)
3. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
Qualified school construction bonds payable	(1,225,000)	
Notes payable	(2,340,000)	
Energy efficiency lease obligations	(412,418)	
Compensated absences	(85,876)	
Accrued interest payable	(50,695)	(4,113,989)
Net Position of governmental activities		$ (11,313,253)

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

ABERDEEN SCHOOL DISTRICT

Governmental Funds

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

Exhibit D

	Major Funds						
	General Fund	Title I Basic Fund	EHA Part B Fund	2016 Construction Fund	QSCB Sinking Fund	Other Governmental Funds	Total Governmental Funds
Revenues:							
Local sources	$ 5,222,798	$ -	$ -	$ -	$ 15,006	$ 326,018	$ 5,563,822
State sources	6,362,663	-	-	-	-	153,433	6,516,096
Federal sources	527,978	892,966	368,199	-	57,522	1,317,731	3,164,396
Total Revenues	12,113,439	892,966	368,199	-	72,528	1,797,182	15,244,314
Expenditures:							
Instruction	6,217,335	668,952	161,938	-	-	491,967	7,540,192
Support services	5,357,763	169,603	206,261	1,879,758	-	241,737	7,855,122
Noninstructional services	-	42,106	-	-	-	976,528	1,018,634
Debt service:							
Principal	104,520	-	-	-	-	315,000	419,520
Interest	26,784	-	-	-	68,600	58,698	154,082
Other	-	-	-	-	1,163	-	1,163
Total Expenditures	11,706,402	880,661	368,199	1,879,758	69,763	2,083,930	16,988,713
Excess (Deficiency) of Revenues over (under) Expenditures	407,037	12,305	-	(1,879,758)	2,765	(286,748)	(1,744,399)
Other Financing Sources (Uses):							
Payments held by escrow agent	-	-	-	-	108,000	-	108,000
Payment to QSCB debt escrow agent	-	-	-	-	(108,000)	-	(108,000)
Operating transfers in	62,305	-	-	-	-	337,580	399,885
Operating transfers out	(222,235)	(12,305)	-	-	-	(165,345)	(399,885)
Total Other Financing Sources (Uses)	(159,930)	(12,305)	-	-	-	172,235	-
Net Change in Fund Balances	247,107	-	-	(1,879,758)	2,765	(114,513)	(1,744,399)
Fund Balances:							
July 1, 2016	3,077,493	-	-	2,085,472	584,718	792,786	6,540,469
Increase (Decrease) in inventory	-	-	-	-	-	(4,937)	(4,937)
June 30, 2017	$ 3,324,600	$ -	$ -	$ 205,714	$ 587,483	$ 673,336	$ 4,791,133

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

Total Federal Revenues are inclusive of Tennessee Valley Authority (TVA) revenues of $89,729.

ABERDEEN SCHOOL DISTRICT

Governmental Funds

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2017

Exhibit D-1

Net change in fund balances - total governmental funds			$	(1,744,399)
Amounts reported for governmental activities in the statement of activities are different because:				
1. Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:				
Capital outlay	$	61,713		
Depreciation expense		(243,138)		(181,425)
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold.				(15,807)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:				
Payments of debt principal		419,520		
Accrued interest payable		34,991		454,511
4. Some items reported in the statement of activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:				
Recording of pension expense for the current period		(2,613,733)		
Recording of contributions made subsequent to the measurement date		1,085,421		(1,528,312)
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		2,817		
Change in inventory		(4,937)		(2,120)
Change in Net Position of governmental activities			$	(3,017,552)

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

ABERDEEN SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities **Exhibit E**

June 30, 2017

		Agency Funds
Assets		
Cash and cash equivalents	$	600,745
Total Assets	$	600,745
Liabilities		
Accounts payable and accrued liabilities	$	597,085
Due to student clubs		3,660
Total Liabilities	$	600,745

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

NOTES TO THE 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 generally accepted accounting principles in the United States of America, the School District is considered an "other stand-alone government." The School District is a related organization of, but not a component unit of, the City of Aberdeen (the City), Mississippi, since the governing authority of the city selects a majority of the School District's Board but does not have financial accountability for the School District.

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

B. Government-wide and Fund Financial Statements

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

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

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

Note 1 – Summary of Significant Accounting Policies, Continued

B. Government-wide and Fund Financial Statements, Continued

2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

3. Unrestricted net position consists of net position not meeting the definition of the two (2) preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The School District reports the following major governmental funds:

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

Title I Basic Fund - This is a special revenue fund that accounts for the revenues and expenditures associated with the Title I federal award program.

EHA Part B Fund - This is a special revenue fund that accounts for the revenues and expenditures associated with the federal special education grant to States program.

2016 Construction Fund - This is a capital projects fund that accounts for the proceeds of the 2016 series of limited tax notes and the related expenditures of the proceeds.

QSCB Sinking Fund - This is a debt service fund that accounts for the sinking fund balances of the qualified school construction bonds sinking fund account and the sinking fund payments and other payments related to the qualified school construction bonds.

Note 1 – Summary of Significant Accounting Policies, Continued

B. Government-wide and Fund Financial Statements, Continued

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 School District's fiduciary funds include the following:

Student Club Funds – These various funds account for the monies raised through student club activities.

Payroll Clearing Fund – This fund is used to report the payroll resources held by the School District in a purely custodial capacity (assets and liabilities) and does not involve the measurement of results of operations.

Accounts Payable Clearing Fund – This fund is used to report the resources of paid claims held by the School District in a purely custodial capacity (assets and liabilities) and does not involve the measurement of results of operations.

Additionally, the School District reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

Note 1 – Summary of Significant Accounting Policies, Continued

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 Monroe County (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.

Note 1 – Summary of Significant Accounting Policies, Continued

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

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

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

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

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

D. Encumbrances

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

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

1. Cash, cash equivalents and Investments

   Cash and cash equivalents

   The School District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three (3) 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.

Note 1 – Summary of Significant Accounting Policies, Continued

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

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 (3) months when acquired.

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

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

Donated commodities are received from the U.S. Department of Agriculture (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.

Note 1 – Summary of Significant Accounting Policies, Continued

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16^{th} Section Principal fund is not available for use by the School 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 School District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

Note 1 – Summary of Significant Accounting Policies, Continued

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

The following schedule details the capitalization thresholds:

	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.

Deferred outflows - Pension Contributions
Deferred outflows - Deferred Amount on Refunding

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred inflows – Pension Settlements to Plan Members

See Note 12 for further details.

Note 1 – Summary of Significant Accounting Policies, Continued

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

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

Note 1 – Summary of Significant Accounting Policies, Continued

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

11. Fund Balances

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

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

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

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 Superintendent, the School District's highest level of decision-making authority. This formal action is the approval of the type and amount of the commitment through a formal order of the School Board. Currently there is no committed fund balance for this School District.

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

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

Note 1 – Summary of Significant Accounting Policies, Continued

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

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

It is the policy of the School District to maintain a minimum fund balance in the General Fund that is not less than five (5) percent of the current year revenues of the General Fund.

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

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

Deposits. The School Board must advertise and accept bids for depositories no less than once every three (3) 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,

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

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 $3,886,018 and $600,745, respectively. The carrying amount of deposits reported in the government-wide financial statements was reported as cash and cash equivalents of $3,680,304 and a portion of restricted assets in the amount of $205,714 (See Note 4).

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The School District does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the School District. As of June 30, 2017, none of the School District's bank balance of $4,934,205 was exposed to custodial credit risk.

Investments

As of June 30, 2017, the School District had the following investments:

Investment Type	Rating	Maturities (in years)		Fair Value
U.S. Treasury SLGS Deposit	AAA/F1+	5 to 10 years	$	578,000
Total			$	578,000

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The School District has the following recurring fair value measurements as of June 30, 2017:

- U.S. Treasury SLGS Deposit of $578,000 is valued using quoted market prices (Level 1 inputs).

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

Interest Rate Risk. The School 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 School 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 School 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 School 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 (5) percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments.

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund		Amount
General Fund	Title I Basic Fund	$	91,515
	EHA Part B Fund		61,859
	Other governmental funds		36,059
Total		$	189,433

The purpose of the more significant interfund loans was to eliminate deficit cash balances in certain federal program funds as part of the normal year end closing adjustments. Fiduciary funds accumulate interest earnings that are due to the General Fund at year end.

B. Inter-fund Transfers

Transfers Out	Transfers In		Amount
General Fund	Other governmental funds	$	222,235
Title I Basic Fund	General Fund		12,305
Other governmental funds	General Fund		50,000
	Other governmental funds		115,345
Total		$	399,885

Interfund transfers represent transfers of indirect costs from certain federal programs and operating transfers from the General Fund to various governmental funds.

Note 4 – Restricted Assets

The restricted assets represent the cash with fiscal agent and investment balance, totaling $5,936 and $578,000, respectively, of the QSCB Bond Retirement Fund. In addition, restricted assets include the cash balance totaling $205,714 of the 2016 Construction Fund resulting from unspent proceeds of long-term debt.

Note 5 – Capital Assets

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

	Balance 7/1/2016	Increases	Decreases	Adjustments	Balance 6/30/2017
Governmental Activities:					
Non-depreciable capital assets:					
Land	$ 142,757	$ -	$ -	$ -	$ 142,757
Total non-depreciable capital assets	142,757	-	-	-	142,757
Depreciable capital assets:					
Buildings	3,646,062	-	-	-	3,646,062
Building improvements	1,848,150	-	-	-	1,848,150
Improvements other than buildings	961,372	-	-	-	961,372
Mobile equipment	1,077,051	24,717	118,215	-	983,553
Furniture and equipment	1,114,270	36,996	66,700	33,390	1,117,956
Total depreciable capital assets	8,646,905	61,713	184,915	33,390	8,557,093
Less accumulated depreciation for:					
Buildings	2,182,944	34,120	-	-	2,217,064
Building improvements	371,661	73,926	-	-	445,587
Improvements other than buildings	347,546	38,455	-	-	386,001
Mobile equipment	893,993	29,313	106,394	-	816,912
Furniture and equipment	906,720	67,324	62,714	4,722	916,052
Total accumulated depreciation	4,702,864	243,138	169,108	4,722	4,781,616
Total depreciable capital assets, net	3,944,041	(181,425)	15,807	28,668	3,775,477
Governmental activities capital assets, net	$ 4,086,798	$ (181,425)	$ 15,807	$ 28,668	$ 3,918,234

Depreciation expense was charged to the following governmental functions:

		Amount
Governmental activities:		
Instruction	$	121,366
Support services		106,228
Non-instructional		15,544
Total depreciation expense - Governmental activities	$	243,138

Note 6 – Long-term Liabilities

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

	Balance 7/1/2016	Additions	Reductions	Balance 6/30/2017	Amounts due within one year
A. Three mill notes payable	$ 2,655,000	-	315,000	2,340,000	165,000
B. Obligations under capital leases	25,429	-	25,429	-	-
C. Obligations under energy efficiency leases	491,509	-	79,091	412,418	87,746
D. Qualified School Construction Bonds	1,225,000	-	-	1,225,000	-
E. Compensated absences payable	88,693	-	2,817	85,876	4,294
Total	$ 4,485,631 $	- $	422,337 $	4,063,294 $	257,040

A. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited-Tax Note, Series 2016	2.025%	4/20/2016	4/20/2028	$ 2,500,000	$ 2,340,000

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

Year Ending June 30	Principal	Interest	Total
2018	$ 165,000 $	50,095 $	215,095
2019	170,000	46,712	216,712
2020	175,000	43,185	218,185
2021	180,000	39,554	219,554
2022	155,000	35,774	190,774
2023 – 2027	1,225,000	111,398	1,336,398
2028	270,000	6,007	276,007
Total	$ 2,340,000 $	332,725 $	2,672,725

This debt will be retired from the 2016 Three Mill Note Fund (Debt Service Fund) and EEF dollars. The 2016 Series will be retired by an annual levy of a special tax not to exceed three (3) mills on the dollar of the School District's assessed value of taxable property along with other funds. The School District was in compliance according to the Limited-Tax Note Series 2016 Resolution.

Note 6 – Long-term Liabilities, Continued

B. Obligations under capital leases

The School District entered into a lease agreement which qualified as a capital lease for accounting purposes. This capital lease was paid in full during the fiscal year.

C. Obligations under energy efficiency leases

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Energy performance contract lease	6.05%	3/10/2009	6/10/2021	$ 820,684	$ 412,418

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

Year Ending June 30	Principal	Interest	Total
2018	$ 87,746	$ 21,322	$ 109,068
2019	93,176	15,892	109,068
2020	98,942	10,126	109,068
2021	132,554	4,003	136,557
Total	$ 412,418	$ 51,343	$ 463,761

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

An energy efficiency lease agreement dated March 10, 2009, was executed by and between the School District, the lessee, and Johnson Controls, Inc., the lessor.

The agreement authorized the borrowing of $820,684 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the School District Maintenance Fund and not exceed fifteen (15) years.

The School District entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

Note 6 – Long-term Liabilities, Continued

D. Qualified School Construction Bonds (QSCB) Payable

As more fully explained in Note 11, debt has been issued by the School District that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified School Construction Bond	5.6%	12/1/2010	12/1/2022	$ 1,225,000	$ 1,225,000

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

Year Ending June 30	Principal	Interest	Total
2018	$ -	$ 68,600	$ 68,600
2019	-	68,600	68,600
2020	-	68,600	68,600
2021	-	68,600	68,600
2022	-	68,600	68,600
2023	1,225,000	68,600	1,293,600
Total	$ 1,225,000	$ 411,600	$ 1,636,600

This debt will be retired from the QSCB Sinking Fund (Debt Service Fund).

E. Compensated absences payable

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

Note 7 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the School District is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2017 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The School District's contributions to PERS for the fiscal years ending June 30, 2017, 2016 and 2015 were $1,085,421, $1,143,889 and $1,050,045, respectively, which equaled the required contributions for each year.

Note 7 – Defined Benefit Pension Plan, Continued

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

At June 30, 2017, the School District reported a liability of $20,279,293 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The School District's proportionate share used to calculate the June 30, 2017 net pension liability was 0.113530 percent, which was based on a measurement date of June 30, 2016. This was an increase of 0.006815 percent from its proportionate share used to calculate the June 30, 2016 net pension liability, which was based on a measurement date of June 30, 2015.

For the year ended June 30, 2017, the School District recognized pension expense of $2,613,733. At June 30, 2017 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 554,547	$ 21,820
Net difference between projected and actual earnings on pension plan investments	1,358,650	-
Changes of assumptions	898,622	53,889
Changes in proportion and differences between School District contributions and proportionate share of contributions	739,664	190,533
School District contributions subsequent to the measurement date	1,085,421	-
Total	$ 4,636,904	$ 266,242

$1,085,421 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30	Amount
2018	$ 1,112,136
2019	933,082
2020	839,401
2021	400,622

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

Actuarial assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.75-19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with males rates set forward one (1) year.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	34 %	5.20 %
International Equity	19	5.00
Emerging Markets Equity	8	5.45
Fixed Income	20	.25
Real Assets	10	4.00
Private Equity	8	6.15
Cash	1	(0.50)
Total	100 %	

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	$ 26,002,600	$ 20,279,293	$ 15,530,803

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

Note 8 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. To correct cost and accumulated depreciation for capital assets purchased in a previous year	$ 28,668
2. Rounding adjustment related to beginning net position needed to tie to prior year audit report	(2)
Total	$ 28,666

Note 9– Contingencies

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

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

Note 10 – Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as described below, the School District carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three (3) fiscal years.

Participation in Public Entity Risk Pool

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

Note 11 – Qualified School Construction Bonds

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

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the School District may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. For the year ended June 30, 2017, the subsidy payments amounted to $57,522.

The School District makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2017 was $585,321, including accrued income of $1,385. The amount accumulated in the sinking fund at the end of the seventeen-year period is expected to be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the School District.

Year Ending June 30		Amount
2018	$	108,000
2019		108,000
2020		108,000
2021		108,000
2022		108,000
2023		110,000
Total	$	650,000

Note 12 – Effect of Deferred Amounts on Net Position

The unrestricted net position (deficit) amount of ($14,827,321) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of $1,085,421 resulting from the School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The $3,551,483 balance of the deferred outflow of resources related to pensions at June 30, 2017 will be recognized as pension expense and will decrease the unrestricted net position amount over the next four (4) years. The $266,242 balance of the deferred inflow of resources related to pensions at June 30, 2017 will be recognized as a reduction of pension expense and will increase the unrestricted net position amount over the next three (3) years.

Note 13 - Subsequent Events

Events that occur after the Statement of Net Position/Balance Sheet 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/Balance Sheet date require disclosure in the accompanying notes. Management of the School District evaluated the activity of the School District through March 16, 2018 and determined that no events requiring disclosure have occurred.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	$ 5,202,788	$ 5,222,805	$ 5,222,798	$ 20,017	$ (7)
State sources	6,431,163	6,362,663	6,362,663	(68,500)	-
Federal sources	139,000	527,978	527,978	388,978	-
Total Revenues	11,772,951	12,113,446	12,113,439	340,495	(7)
Expenditures:					
Instruction	6,070,535	6,217,335	6,217,335	(146,800)	-
Support services	5,304,589	5,357,763	5,357,763	(53,174)	-
Debt service:					
Principal	104,520	103,628	104,520	892	(892)
Interest	26,784	27,676	26,784	(892)	892
Total Expenditures	11,506,428	11,706,402	11,706,402	(199,974)	-
Excess (Deficiency) of Revenues over (under) Expenditures	266,523	407,044	407,037	140,521	(7)
Other Financing Sources (Uses):					
Operating transfers in	1,199,266	1,439,500	62,305	240,234	(1,377,195)
Operating transfers out	(1,200,000)	(1,599,437)	(222,235)	(399,437)	1,377,202
Other financing uses	(4,184)	-	-	4,184	-
Total Other Financing Sources (Uses)	(4,918)	(159,937)	(159,930)	(155,019)	7
Net Change in Fund Balances	261,605	247,107	247,107	(14,498)	-
Fund Balances:					
July 1, 2016	3,110,542	3,077,493	3,077,493	(33,049)	-
June 30, 2017	$ 3,372,147	$ 3,324,600	$ 3,324,600	$ (47,547)	$ -

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

ABERDEEN SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

Title I Basic Fund

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	$ 1,061,316	$ 1,061,316	$ 892,966	$ -	$ (168,350)
Total Revenues	1,061,316	1,061,316	892,966	-	(168,350)
Expenditures:					
Instruction	805,513	787,572	668,952	17,941	118,620
Support services	219,465	202,404	169,603	17,061	32,801
Noninstructional services	65,526	60,803	42,106	4,723	18,697
Total Expenditures	1,090,504	1,050,779	880,661	39,725	170,118
Excess (Deficiency) of Revenues over (under) Expenditures	(29,188)	10,537	12,305	39,725	1,768
Other Financing Sources (Uses):					
Operating transfers out	(20,305)	(12,305)	(12,305)	8,000	-
Total Other Financing Sources (Uses)	(20,305)	(12,305)	(12,305)	8,000	-
Net Change in Fund Balances	(49,493)	(1,768)	-	47,725	1,768
Fund Balances:					
July 1, 2016	-	-	-	-	-
June 30, 2017	$ (49,493)	$ (1,768)	$ -	$ 47,725	$ 1,768

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

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

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	$ 414,966	$ 449,966	$ 368,199	$ 35,000	$ (81,767)
Total Revenues	414,966	449,966	368,199	35,000	(81,767)
Expenditures:					
Instruction	202,835	228,507	161,938	(25,672)	66,569
Support services	212,031	221,359	206,261	(9,328)	15,098
Noninstructional services	100	100	-	-	100
Total Expenditures	414,966	449,966	368,199	(35,000)	81,767
Excess (Deficiency) of Revenues over (under) Expenditures	-	-	-	-	-
Other Financing Sources (Uses):					
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2016	-	-	-	-	-
June 30, 2017	$ -	$ -	$ -	$ -	$ -

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

ABERDEEN SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERS
Last 10 Fiscal Years*

	2017	2016	2015
School District's proportion of the net pension liability (asset)	0.113530%	0.106715%	0.107416%
School District's proportionate share of the net pension liability (asset)	$ 20,279,293	16,496,035	13,351,986
School District's covered payroll	7,262,787	6,666,952	6,563,695
School District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	279.22%	247.43%	203.42%
Plan fiduciary net position as a percentage of the total pension liability	57%	62%	67%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in fiscal year ended June 30, 2015, and, until a full 10-year trend is compiled, the School District has only presented information for the years in which information is available.

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

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS
PERS
Last 10 Fiscal Years

	2017	2016	2015
Contractually required contribution	$ 1,085,421	$ 1,143,889	$ 1,050,045
Contributions in relation to the contractually required contribution	1,085,421	1,143,889	1,050,045
Contribution deficiency (excess)	$ 0	$ 0	$ 0
School District's covered payroll	$ 6,891,562	$ 7,262,787	$ 6,666,952
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%

The schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in fiscal year ended June 30, 2015, and, until a full 10-year trend is compiled, the School District has only presented information for the years which information is available.

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

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.

Pension Schedules

(1) Changes of assumptions

2015:

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

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

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

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

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

2016:

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

(2) Changes in benefit provisions

2016:

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

SUPPLEMENTARY INFORMATION

ABERDEEN SCHOOL DISTRICT

Supplementary Information

Schedule of Expenditures of Federal Awards **Schedule I**
For the Year Ended June 30, 2017

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
U.S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	$ 365,122
National school lunch program	10.555	691,886
Total child nutrition cluster		1,057,008
Total passed-through Mississippi Department of Education		1,057,008
Total U.S. Department of Agriculture		1,057,008
U.S. Department of Defense		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	57,300
Total U.S. Department of Defense		57,300
Federal Communications Commission		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	335,273
Total Federal Communications Commission		335,273
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	934,127
Rehabilitation Services	84.126	2,430
Twenty-First Century Community Learning Centers	84.287	66,543
Rural Education	84.358	22,127
Improving teacher quality-State Grants	84.367	158,275
Subtotal		1,183,502
Special education cluster:		
Special education - grants to states	84.027	392,763
Special education - preschool grants	84.173	27,710
Total special education cluster		420,473
Total passed-through Mississippi Department of Education		1,603,975
Total U.S. Department of Education		1,603,975
U.S. Department of Health and Human Services		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	21,111
Total passed-through Mississippi Department of Education		21,111
Total U.S. Department of Health and Human Services		21,111
Total for All Federal Awards		$ 3,074,667

The notes to the Supplementary Information are an integral part of this schedule.

NOTE 1. – Basis of Presentation:

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

NOTE 2. – Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3. – Indirect Cost Rate:

The Aberdeen School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

ABERDEEN SCHOOL DISTRICT

Supplementary Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds **Schedule II**

For the Year Ended June 30, 2017

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	$ 9,948,500	$ 7,474,846	$ 745,845	$ 686,883	$ 1,040,926
Other	7,040,213	1,284,831	472,874	24,939	5,257,569
Total	$ 16,988,713	$ 8,759,677	$ 1,218,719	$ 711,822	$ 6,298,495
Total number of students *	1,202				
Cost per student	$ 14,134	$ 7,288	$ 1,014	$ 592	$ 5,240

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

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

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

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

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

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

See the Independent Auditors' Report on Supplementary Information

OTHER INFORMATION

Aberdeen School District

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances **Schedule III**
General Fund
Last Four Years
UNAUDITED

	2017	2016*	2015*	2014*
Revenues:				
Local sources	$ 5,222,798	$ 5,009,982	$ 4,858,217	$ 4,901,205
State sources	6,362,663	6,380,437	6,375,291	6,391,201
Federal sources	527,978	105,383	219,762	447,947
Total Revenues	12,113,439	11,495,802	11,453,270	11,740,353
Expenditures:				
Instruction	6,217,335	6,406,065	6,125,983	5,969,868
Support services	5,357,763	5,835,862	4,853,282	4,698,095
Noninstructional services	-	-	-	-
Facilities acquistion and construction	-	1,245	-	-
Debt service:				
Principal	104,520	175,195	166,002	163,678
Interest	26,784	33,520	39,733	39,162
Total Expenditures	11,706,402	12,451,887	11,185,000	10,870,803
Excess (Deficiency) of Revenues over (under) Expenditures	407,037	(956,085)	268,270	869,550
Other Financing Sources (Uses):				
Bonds and notes issued	-	-	-	337,749
Insurance loss recovery	-	15,168	-	-
Sale of transportation equipment	-	-	-	2,718
Sale of property	-	-	-	7,615
Operating transfer in	62,305	1,426,952	1,161,198	1,166,128
Operating transfer out	(222,235)	(1,436,921)	(1,282,168)	(1,216,837)
Other financing uses	-	(4,184)	-	-
Total Other Financing Sources (Uses)	(159,930)	1,015	(120,970)	297,373
Net Change in Fund Balances	247,107	(955,070)	147,300	1,166,923
Fund Balances:				
Beginning of period as previously reported	3,077,493	4,032,563	3,885,263	2,718,340
Beginning of period, as restated	3,077,493	4,032,563	3,885,263	2,718,340
End of Period	$ 3,324,600	$ 3,077,493	$ 4,032,563	$ 3,885,263

*SOURCE - PRIOR YEAR AUDIT REPORTS

See the Independent Auditors' Report on Supplementary Information.

ABERDEEN SCHOOL DISTRICT

Other Information

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

All Governmental Funds

Last Four Years

UNAUDITED

	2017	2016*	2015*	2014*
Revenues:				
Local sources	$ 5,563,822	$ 5,412,081	$ 5,342,535	$ 5,323,029
Intermediate	-	3,000	-	-
State sources	6,516,096	6,523,649	6,502,890	6,520,239
Federal sources	3,164,396	2,806,639	2,592,426	3,030,651
Total Revenues	15,244,314	14,745,369	14,437,851	14,873,919
Expenditures:				
Instruction	7,540,192	7,572,780	7,308,303	7,167,856
Support services	7,855,122	6,601,401	5,392,969	5,331,221
Noninstructional services	1,018,634	1,020,095	906,880	887,158
Facilities acquisition and construction	-	412,050	-	-
Debt service:				
Principal	419,520	364,063	345,186	337,862
Interest	154,082	107,453	128,159	131,999
Other	1,163	814	2,578	500
Total Expenditures	16,988,713	16,078,656	14,084,075	13,856,596
Excess (Deficiency) of Revenues over (under) Expenditures	(1,744,399)	(1,333,287)	353,776	1,017,323
Other Financing Sources (Uses):				
Proceeds from notes	-	2,500,000	-	-
Bonds and notes issued	-	-	-	337,749
Insurance recovery	-	15,168	-	-
Sales of Transportation equipment	-	-	-	2,718
Sales of Property	-	-	-	8,010
Payments held by escrow agent	108,000	-	-	-
Payment to QSCB debt escrow agei	(108,000)	-	-	-
Operating transfers in	399,885	1,882,044	1,584,584	1,561,621
Operating transfers out	(399,885)	(1,882,044)	(1,584,584)	(1,561,621)
Other financing sources	-	(4,184)	-	-
Total Other Financing Sources (Uses)	-	2,510,984	-	348,477
Net Change in Fund Balances	(1,744,399)	1,177,697	353,776	1,365,800
Fund Balances:				
July 1, previously reported	6,540,469	5,380,424	5,021,157	3,648,788
Prior period adjustments	-	-	(1,320)	-
July 1, restated	6,540,469	5,380,424	5,019,837	3,648,788
Increase (decrease) in inventory	(4,937)	(17,652)	6,811	6,569
June 30,	$ 4,791,133	$ 6,540,469	$ 5,380,424	$ 5,021,157

*SOURCE - PRIOR YEAR AUDIT REPORTS

See the Independent Auditors' Report on Supplementary Information.

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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

Superintendent and School Board
Aberdeen School District
Aberdeen, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Aberdeen School District, as of and for the year ended June 30, 2017, and the related notes to financial statements, which collectively comprise Aberdeen School District's basic financial statements, and have issued our report thereon dated March 16, 2018.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

March 16, 2018

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

Superintendent and School Board
Aberdeen School District
Aberdeen, Mississippi

Report on Compliance for Major Federal Program

We have audited Aberdeen School District compliance with the types of compliance described in the *OMB Compliance Supplement* that could have a direct and material effect on Aberdeen School District's major federal programs for the year ended June 30, 2017. Aberdeen School District's major federal programs are identified in the summary of independent auditors' results section of the accompanying summary schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

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

Opinion on Each Major Federal Program

In our opinion, Aberdeen School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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

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

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

March 16, 2018

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

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Joseph [illegible], CPA

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Michael B. Bruno [illegible] (2011)

INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
Aberdeen School District
Aberdeen, Mississippi

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Aberdeen School District as of and for the year ended June 30, 2017, which collectively comprise Aberdeen School District's basic financial statements and have issued our report thereon dated March 16, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

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

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

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to 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.

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

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

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

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

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
Jackson, Mississippi

March 16, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Section I: Summary of Auditors' Results

Financial Statements:

1.	Type of auditors' report issued:	Unmodified
2.	Internal control over financial reporting:	
	a. Material weaknesses identified?	No
	b. Significant deficiencies identified?	None reported
3.	Noncompliance material to financial statements noted?	No

Federal Awards:

4.	Internal control over major programs:	
	a. Material weaknesses identified?	No
	b. Significant deficiencies identified?	None reported
5.	Type of auditors' report issued on compliance for major programs:	Unmodified
6.	Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

7. Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
32.XXX	The Schools and Libraries Program of the Universal Service Fund
84.010	Title I grants to local educational agencies

8. Dollar threshold used to distinguish between type A and type B programs: $750,000

9. Auditee qualified as low-risk auditee ______Yes __X__ No

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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