



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

AMORY SEPARATE SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2017**

AMORY SEPARATE SCHOOL DISTRICT

Contents

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Exhibit A – Statement of Net Position	13
Exhibit B – Statement of Activities	14
Governmental Funds Financial Statements	
Exhibit C – Balance Sheet	15
Exhibit C-1 – Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16
Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances	17
Exhibit D-1 – Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	18
Fiduciary Fund Financial Statements	
Exhibit E – Statement of Fiduciary Net Position	19
Notes to Financial Statements	20
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	40
Budgetary Comparison Schedule - Food Service Fund	41
Schedule of the District's Proportionate Share of the Net Pension Liability	42
Schedule of District Contributions	43
Notes to the Required Supplementary Information	44
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	46
Schedule of Instructional, Administrative and Other Expenditures- Governmental Funds	47
Notes to the Supplementary Information	48
OTHER INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances- General Fund Last Four Years	50
Statement of Revenues, Expenditures and Changes in Fund Balances- All Governmental Funds Last Four Years	51
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	53
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	55
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	58
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	61

INDEPENDENT AUDITORS' REPORT



WATKINS, WARD and STAFFORD

Professional Limited Liability Company
Certified Public Accountants

James L. Stafford, CPA
Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Staggers, CPA
Michael W. McCully, CPA
Mort Stroud, CPA
R. Steve Sinclair, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA
Robin Y. McCormick, CPA/PFS
J. Randy Scrivner, CPA
Kimberly S. Caskey, CPA
Susan M. Lummus, CPA

Thomas J. Browder, CPA
Stephen D. Flake, CPA
John N. Russell, CPA
Thomas A. Davis, CPA
Anita L. Goodrum, CPA
Ricky D. Allen, CPA
Jason D. Brooks, CPA
Robert E. Cordle, Jr., CPA
Perry C. Rackley, Jr., CPA
Jerry L. Gammel, CPA
Michael C. Knox, CPA
Clifford P. Stewart, CPA

INDEPENDENT AUDITORS' REPORT

Superintendent and School Board
Amory Separate School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 4-11, 40-41, 42, and 43, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Amory Separate School District's 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2017, on our consideration of the Amory Separate School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Amory Separate School District's internal control over financial reporting and compliance.

Okolona, Mississippi
December 7, 2017

Watkins Ward and Stafford, PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

AMORY SEPARATE SCHOOL DISTRICT
Management's Discussion and Analysis

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

FINANCIAL HIGHLIGHTS

- Total net position for 2017 decreased \$524,087, which represents a 4% decrease from fiscal year 2016. Total net position for 2016 increased \$1,415,265, which represents a 10% increase from fiscal year 2015.
- General revenues amounted to \$12,264,288 and \$12,043,215, or 81% and 81% 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 \$2,853,559, or 19% of total revenues for 2017 and \$2,853,692, or 19% of total revenues for 2016.
- The District had \$15,641,934 and \$13,481,642 in expenses for fiscal years 2017 and 2016; only \$2,853,559 for 2017 and \$2,853,692 for 2016 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$12,264,288 for 2017 and \$12,043,215 for 2016 were adequate to provide for these programs.
- Among major funds, the General Fund had \$11,486,481 in revenues and \$10,805,426 in expenditures for 2017, and \$11,176,609 in revenues and \$10,265,259 in expenditures for 2016. The General Fund's fund balance increased by \$517,365 from 2016 to 2017, and increased by \$771,054 from 2015 to 2016.
- Capital assets, net of accumulated depreciation, decreased by \$6,195 for 2017 and decreased by \$52,327 for 2016. The decrease for 2017 was due to the addition of \$195,317 coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$150,105 for 2017 and decreased by \$712,431 for 2016. This decrease for 2017 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$26,481 for 2017 and increased by \$32,300 for 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

AMORY SEPARATE SCHOOL DISTRICT
Management's Discussion and Analysis

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

AMORY SEPARATE SCHOOL DISTRICT
Management's Discussion and Analysis

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$12,856,048 as of June 30, 2017.

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

AMORY SEPARATE SCHOOL DISTRICT
Management's Discussion and Analysis

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

Table 1
Condensed Statement of Net Position

	June 30, 2017	June 30, 2016	Percentage Change
Current assets	\$ 3,409,907	\$ 2,314,760	47.31 %
Restricted assets	131,387	127,298	3.21 %
Capital assets, net	5,607,239	5,613,434	(0.11) %
Total assets	9,148,533	8,055,492	13.57 %
Deferred outflows of resources	5,207,035	4,212,579	23.61 %
Current liabilities	577,855	832,082	(30.55) %
Long-term debt outstanding	3,542,245	3,153,764	12.32 %
Net pension liability	22,042,321	20,188,185	9.18 %
Total liabilities	26,162,421	24,174,031	8.23 %
Deferred inflows of resources	1,049,195	426,001	146.29 %
Net position:			
Net investment in capital assets	2,198,239	2,111,434	4.11 %
Restricted	1,138,582	841,070	35.37 %
Unrestricted	(16,192,869)	(15,284,465)	5.94 %
Total net position (deficit)	\$ (12,856,048)	\$ (12,331,961)	4.25 %

Additional information on unrestricted net position:

Total unrestricted net position (deficit)	\$ (16,192,869)
Effect of pension liability transactions	
Net pension liability	\$ 22,042,321
Deferred outflows of resources from pension obligations	(5,207,035)
Deferred inflows of resources from pension obligations	1,049,195
Unrestricted net position exclusive of the net pension liability effect	<u>\$ 1,691,612</u>

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

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 \$6,195 due to the increase of accumulated depreciation.
- Decrease in long-term debt outstanding in the amount of \$150,105 due to payment of principal debt obligations.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2017 and June 30, 2016 were \$15,117,847 and \$14,896,907, respectively. The total cost of all programs and services was \$15,641,934 for 2017 and \$13,481,642 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.

AMORY SEPARATE SCHOOL DISTRICT
Management's Discussion and Analysis

Table 2
Changes in Net Position

	Year Ended June 30, 2017	Year Ended June 30, 2016	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 542,832	\$ 536,459	1.19 %
Operating grants and contributions	2,253,244	2,259,750	(0.29) %
Capital Grants and Contributions	57,483	57,483	0.00 %
General revenues:			
Property taxes	3,103,687	2,852,913	8.79 %
Grants and contributions not restricted	8,952,990	8,956,504	(0.04) %
Investment earnings	7,507	999	651.45 %
Sixteenth section	16,240	10,847	49.72 %
Other	183,864	221,952	(17.16) %
Total revenues	15,117,847	14,896,907	1.48 %
Expenses:			
Instruction	7,241,834	7,057,831	2.61 %
Support services	4,508,274	4,223,449	6.74 %
Non-instructional	985,644	1,002,268	(1.66) %
Pension expense	2,734,933	1,009,055	171.04 %
Interest on long-term liabilities	171,249	189,039	(9.41) %
Total expenses	15,641,934	13,481,642	16.02 %
Increase (Decrease) in net position	(524,087)	1,415,265	(137.03) %
Net Position (Deficit), July 1, as previously reported	(12,331,961)	(13,747,226)	(10.29) %
Net Position (Deficit), June 30	\$ (12,856,048)	\$ (12,331,961)	(4.25) %

AMORY SEPARATE SCHOOL DISTRICT
Management's Discussion and Analysis

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage
	2017	2016	Change
Instruction	\$ 7,241,834	\$ 7,057,831	2.61 %
Support services	4,508,274	4,223,449	6.74 %
Non-instructional	985,644	1,002,268	(1.66) %
Pension expense	2,734,933	1,009,055	171.04 %
Interest on long-term liabilities	171,249	189,039	(9.41) %
Total expenses	\$ 15,641,934	\$ 13,481,642	16.02 %

	Net (Expense) Revenue		Percentage
	2017	2016	Change
Instruction	\$ (6,330,018)	\$ (6,099,141)	3.79 %
Support services	(3,798,269)	(3,562,893)	6.61 %
Non-instructional	145,878	122,820	18.77 %
Pension expense	(2,734,933)	(1,009,055)	171.04 %
Interest on long-term liabilities	(71,033)	(79,681)	(10.85) %
Total net (expense) revenue	\$ (12,788,375)	\$ (10,627,950)	20.33 %

- Net cost of governmental activities (\$12,788,375 for 2017 and \$10,627,950 for 2016) was financed by general revenue, which is primarily made up of property taxes (\$3,103,687 for 2017 and \$2,852,913 for 2016) and state and federal revenues (\$8,952,990 for 2017 and \$8,956,504 for 2016).
- Investment earnings amounted to \$7,507 for 2017 and \$999 for 2016.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$3,015,253, an increase of \$805,935, which includes an increase in inventory of \$4,399. \$1,605,127 or 53% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been

AMORY SEPARATE SCHOOL DISTRICT
Management's Discussion and Analysis

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 \$1,410,126 or 47% is either non-spendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$517,365. The fund balance of Other Governmental Funds showed a decrease in the amount of \$82,769. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
Food Service Fund	\$	83,722
Three Mill Building Project Fund	\$	287,617
Three Mill Note Retirement Fund	\$	0

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2017, the District's total capital assets were \$15,779,352, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$175,817 from 2016. Total accumulated depreciation as of June 30, 2017, was \$10,172,113, and total depreciation expense for the year was \$201,317, resulting in total net capital assets of \$5,607,239.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Land	\$ 79,885	\$ 79,885	0.00 %
Buildings	4,976,581	5,043,803	(1.33) %
Improvements other than buildings	712	712	0.00 %
Mobile equipment	433,201	362,908	19.37 %
Furniture and equipment	116,860	126,126	(7.35) %
Total	\$ 5,607,239	\$ 5,613,434	(0.11) %

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

AMORY SEPARATE SCHOOL DISTRICT
Management's Discussion and Analysis

Debt Administration. At June 30, 2017, the District had \$3,542,245 in outstanding long-term debt, of which \$707,847 is due within one year. The liability for compensated absences increased \$26,481 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 475,000	\$ 720,000	(34.03) %
Three mill notes payable	1,002,000	640,000	56.56 %
Shortfall notes payable	22,847	106,433	(78.53) %
Qualified school construction bonds payable	1,932,000	2,142,000	(9.80) %
Compensated absences payable	110,398	83,917	31.56 %
Total	<u>\$ 3,542,245</u>	<u>\$ 3,692,350</u>	(4.07) %

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

CURRENT ISSUES

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Amory Separate School District, P.O. Box 330, Amory, Mississippi, 38821.

BASIC FINANCIAL STATEMENTS

Amory Separate School District
Statement of Net Position
June 30, 2017

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 2,839,508
Due from other governments	506,887
Other receivables, net	33,118
Inventories	30,394
Restricted assets	131,387
Capital assets, non-depreciable:	
Land	79,885
Capital assets, net of accumulated depreciation:	
Buildings	4,976,581
Improvements other than buildings	712
Mobile equipment	433,201
Furniture and equipment	116,860
Total Assets	<u>9,148,533</u>
Deferred Outflows of Resources	
Pensions	<u>5,207,035</u>
Total Deferred Outflows of Resources	<u>5,207,035</u>
Liabilities	
Accounts payable and accrued liabilities	525,682
Unearned revenue	359
Interest payable on long-term liabilities	51,814
Long-term liabilities, due within one year:	
Capital related liabilities	685,000
Non-capital related liabilities	22,847
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,724,000
Non-capital related liabilities	110,398
Net pension liability	22,042,321
Total Liabilities	<u>26,162,421</u>
Deferred Inflows of Resources	
Pensions	<u>1,049,195</u>
Total Deferred Inflows of Resources	<u>1,049,195</u>
Net Position	
Net investment in capital assets	2,198,239
Restricted for:	
Expendable:	
School-based activities	401,468
Debt service	250,290
Capital improvements	458,266
Unemployment benefits	28,558
Unrestricted	(16,192,869)
Total Net Position (Deficit)	<u>\$ (12,856,048)</u>

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

Amory Separate School District
Statement of Activities
For The Year Ended June 30, 2017

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 7,241,834	242,890	668,926	-	\$ (6,330,018)
Support services	4,508,274	-	652,522	57,483	(3,798,269)
Non-instructional	985,644	299,942	831,580	-	145,878
Pension expense	2,734,933	-	-	-	(2,734,933)
Interest on long-term liabilities	171,249	-	100,216	-	(71,033)
Total Governmental Activities	<u>\$ 15,641,934</u>	<u>542,832</u>	<u>2,253,244</u>	<u>57,483</u>	<u>\$ (12,788,375)</u>

General Revenues:

Taxes:

 General purpose levies 2,890,881

 Debt purpose levies 212,806

Unrestricted grants and contributions:

 State 8,759,584

 Federal 193,406

Unrestricted investment earnings 7,507

Sixteenth section 16,240

Other 183,864

 Total General Revenues 12,264,288

Change in Net Position (524,087)

Net Position (Deficit) - Beginning (12,331,961)

Net Position (Deficit) - Ending \$ (12,856,048)

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

**Amory Separate School District
Governmental Funds
Balance Sheet
June 30, 2017**

Exhibit C

	Major Funds					
	General Fund	Food Service Fund	3 Mill Building Project Fund	3 Mill Note Retirement Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 1,660,860	349,582	551,495	183,402	94,169	2,839,508
Cash with fiscal agents	-	-	-	-	131,387	131,387
Due from other governments	269,417	-	-	11,289	226,181	506,887
Other receivables, net	32,858	260	-	-	-	33,118
Due from other funds	49,865	-	-	-	-	49,865
Inventories	-	30,394	-	-	-	30,394
Total assets	<u>\$ 2,013,000</u>	<u>380,236</u>	<u>551,495</u>	<u>194,691</u>	<u>451,737</u>	<u>3,591,159</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 188,143	2,886	93,229	194,691	46,733	525,682
Due to other funds	-	-	-	-	49,865	49,865
Unearned revenue	-	-	-	-	359	359
Total Liabilities	<u>188,143</u>	<u>2,886</u>	<u>93,229</u>	<u>194,691</u>	<u>96,957</u>	<u>575,906</u>
Fund Balances:						
Nonspendable:						
Inventory	-	25,995	-	-	-	25,995
Restricted:						
Debt service	-	-	-	-	302,104	302,104
Capital projects	-	-	458,266	-	-	458,266
Grant activities	-	351,355	-	-	24,118	375,473
Unemployment benefits	-	-	-	-	28,558	28,558
Assigned:						
Capital improvements	147,949	-	-	-	-	147,949
Activity funds	71,781	-	-	-	-	71,781
Unassigned	<u>1,605,127</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,605,127</u>
Total Fund Balances	<u>1,824,857</u>	<u>377,350</u>	<u>458,266</u>	<u>-</u>	<u>354,780</u>	<u>3,015,253</u>
Total Liabilities and Fund Balances	<u>\$ 2,013,000</u>	<u>380,236</u>	<u>551,495</u>	<u>194,691</u>	<u>451,737</u>	<u>3,591,159</u>

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

Amory Separate School District

Exhibit C-1

Governmental Funds

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

June 30, 2017

Total fund balances for governmental funds **\$ 3,015,253**

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	\$ 79,885	
Buildings	13,509,448	
Improvements other than buildings	71,214	
Mobile equipment	1,595,053	
Furniture and equipment	523,752	
Accumulated depreciation	<u>(10,172,113)</u>	5,607,239

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	(22,042,321)	
-----------------------	--------------	--

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

Deferred outflows of resources related to pensions	5,207,035	
Deferred inflows of resources related to pensions	<u>(1,049,195)</u>	(17,884,481)

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

Limited obligation bonds	\$ (475,000)	
Three mill notes payable	(1,002,000)	
Shortfall notes payable	(22,847)	
Qualified school construction bonds payable	(1,932,000)	
Compensated absences	(110,398)	
Accrued interest payable	<u>(51,814)</u>	(3,594,059)

Net position of governmental activities **\$ (12,856,048)**

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

**Amory Separate School District
Governmental Funds**

Exhibit D

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

	Major Funds					
	General Fund	Food Service Fund	3 Mill Building Project Fund	3 Mill Note Retirement Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Local sources	\$ 3,209,612	300,377	1,425	194,691	143,706	\$ 3,849,811
State sources	8,067,223	9,966	-	-	1,100,172	9,177,361
Federal sources	193,406	851,452	-	-	1,041,499	2,086,357
Sixteenth section sources	16,240	-	-	-	-	16,240
Total Revenues	11,486,481	1,161,795	1,425	194,691	2,285,377	15,129,769
Expenditures:						
Instruction	6,881,464	-	-	-	1,155,330	8,036,794
Support services	3,918,702	-	246,350	-	687,974	4,853,026
Noninstructional services	5,260	1,072,472	-	-	3,904	1,081,636
Debt service:						
Principal	-	-	-	168,000	1,178,586	1,346,586
Interest	-	-	-	26,691	141,202	167,893
Other	-	-	-	-	12,298	12,298
Total Expenditures	10,805,426	1,072,472	246,350	194,691	3,179,294	15,498,233
Excess (Deficiency) of Revenues over (under) Expenditures	681,055	89,323	(244,925)	0	(893,917)	(368,464)
Other Financing Sources (Uses):						
Bonds and notes issued	-	-	1,170,000	-	-	1,170,000
Operating transfers in	10,000	-	-	-	868,632	878,632
Operating transfers out	(173,690)	(10,000)	(637,458)	-	(57,484)	(878,632)
Total Other Financing Sources (Uses)	(163,690)	(10,000)	532,542	-	811,148	1,170,000
Net Change in Fund Balances	517,365	79,323	287,617	0	(82,769)	801,536
Fund Balances:						
July 1, 2016	1,307,492	293,628	170,649	-	437,549	2,209,318
Increase (Decrease) in reserve for inventory	-	4,399	-	-	-	4,399
June 30, 2017	\$ 1,824,857	377,350	458,266	0	354,780	3,015,253

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

**Amory Separate 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 **\$ 801,536**

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

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

Capital outlay	\$ 195,317	
Depreciation expense	(201,317)	(6,000)

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. (195)

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

Bonds and notes issued	(1,170,000)	
Payments of debt principal	1,346,586	
Accrued interest payable	8,942	185,528

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

Change in compensated absences	(26,481)	
Change in inventory reserve	4,399	
Amortization of deferred charges, premiums, and discounts		
District pension contributions	1,252,059	
Pension expense	(2,734,933)	(1,504,956)

Change in net position of governmental activities	\$	(524,087)

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

**Amory Separate School District
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2017**

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents	587,947
Total Assets	<u>587,947</u>
Liabilities	
Accounts payable and accrued liabilities	531,766
Due to student clubs	56,181
Total Liabilities	<u>587,947</u>

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

AMORY SEPARATE SCHOOL DISTRICT
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies

The accompanying financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the City of Amory 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, Amory Separate School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

B. Government-wide and Fund Financial Statements

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

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

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

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.

AMORY SEPARATE SCHOOL DISTRICT
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

Food Service Fund – This is a special revenue fund that accounts for the revenues and expenditures of the School Food Service and Child Nutrition program.

Three Mill Building Project Fund – This is a capital projects fund that is used to account for the three mill note proceeds received for construction, upgrade and repair of school facilities.

Three Mill Note Retirement Fund – This is a debt service fund that accounts for the ad valorem revenue and debt service expenditures of the district's 2016 three mill note.

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

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

The District's fiduciary funds include the following:

Payroll Clearing Fund – This fund serves as a clearing fund for payroll type transactions.

Student Club Funds – These various funds account for the monies raised through school club activities and fundraisers and club related expenditures approved by the individual clubs.

Scholarship Fund – This is a private purpose trust funds that serves to report all trust arrangements.

Accounts Payable Clearing Fund – This fund serves as a clearing fund for accounts payable type transactions.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

AMORY SEPARATE SCHOOL DISTRICT
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

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.

AMORY SEPARATE SCHOOL DISTRICT
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

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

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

D. Encumbrances

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

E. Assets, liabilities, and net position/fund balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

AMORY SEPARATE SCHOOL DISTRICT
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, unspent proceeds from the issuance of long-term debt are also classified as restricted assets.

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 activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

AMORY SEPARATE SCHOOL DISTRICT
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (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. The deferred outflows of resources are related to the district's long-term pension obligations.

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

See Note 7 for further details.

8. Compensated Absences

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

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

Note 1 – Summary of Significant Accounting Policies (Continued)

9. Long-term Liabilities, Deferred Debt Expense, and Bond Discounts/Premiums

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

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

10. Pensions

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

11. Fund Balances

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

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

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

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

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

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

AMORY SEPARATE SCHOOL DISTRICT
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

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

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

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

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 \$2,839,508 and \$587,947, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of a failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2017, none of the district's bank balance of \$3,560,858 was exposed to custodial credit risk.

AMORY SEPARATE SCHOOL DISTRICT
Notes to Financial Statements

Note 2 – Cash and Cash Equivalents, and Cash with Fiscal Agents (Continued)

Cash with Fiscal Agents

The carrying amount of the school district's cash with fiscal agents held by financial institutions was \$131,387.

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	11,665
General Fund	Title II - Improv Teacher Quality	11,045
General Fund	EHA, Part B	18,906
General Fund	EHA, Preschool	3,395
General Fund	Pre-K Grant	4,854
		<u>\$ 49,865</u>

The amounts due to or due from other funds primarily represent amounts loaned between funds for timing differences between revenues and expenditures and cash balances.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Unemployment Compensation Fund	\$ 679
General Fund	QSCB Bond Retirement Fund	173,011
EEF - Building & Buses Fund	QSCB Bond Retirement Fund	57,484
Food Service Fund	General Fund	10,000
3 Mill Building Project Fund	2013 3 Mill Note Retirement Fund	637,458
		<u>\$ 878,632</u>

The transfers represent Board approved operating transfers for school operations and planning purposes.

Note 4 – Restricted Assets

The restricted assets represent the cash with fiscal agent balance, totaling \$131,387 of the State Aid Capital Bond Fund.

AMORY SEPARATE SCHOOL DISTRICT
Notes to Financial Statements

Note 5 – Capital Assets

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

	Balance 7/1/2016	Increases	Decreases	Balance 6/30/2017
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 79,885			\$ 79,885
Total non-depreciable capital assets	79,885	-	-	79,885
<u>Depreciable capital assets:</u>				
Buildings	13,509,448			13,509,448
Improvements other than buildings	71,214			71,214
Mobile equipment	1,469,204	145,349	19,500	1,595,053
Furniture and equipment	473,784	49,968		523,752
Total depreciable capital assets	15,523,650	195,317	19,500	15,699,467
<u>Less accumulated depreciation for:</u>				
Buildings	8,465,645	67,222		8,532,867
Improvements other than buildings	70,502			70,502
Mobile equipment	1,106,296	74,861	19,305	1,161,852
Furniture and equipment	347,658	59,234		406,892
Total accumulated depreciation	9,990,101	201,317	19,305	10,172,113
Total depreciable capital assets, net	5,533,549	(6,000)	195	5,527,354
Governmental activities capital assets, net	\$ 5,613,434	(6,000)	195	\$ 5,607,239

Depreciation expense was charged to the following governmental functions:

Governmental Activities:	Amount
Instruction	\$ 51,500
Support services	144,450
Non-instructional	5,367
Total depreciation expense-governmental activities	\$ 201,317

AMORY SEPARATE SCHOOL DISTRICT
Notes to Financial Statements

Note 6 – Long-term Liabilities

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

Description	Balance 7/1/2016	Additions	Reductions	Balance 6/30/2017	Amounts due within one year
A. Limited obligations bonds payable	\$ 720,000		245,000	475,000	475,000
B. Three mill notes payable	640,000	1,170,000	808,000	1,002,000	
C. Shortfall notes payable	106,433		83,586	22,847	22,847
D. Qualified school construction bonds	2,142,000		210,000	1,932,000	210,000
E. Compensated absences payable	83,917	26,481		110,398	
Total	<u>\$ 3,692,350</u>	<u>1,196,481</u>	<u>1,346,586</u>	<u>3,542,245</u>	<u>707,847</u>

A. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement, Series 2009	4.41%	2/27/2008	2/01/2018	\$ 2,235,000	475,000
Total				<u>\$ 2,235,000</u>	<u>475,000</u>

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

Year Ending June 30	Principal	Interest	Total
2018	475,000	12,250	487,250
Total	<u>\$ 475,000</u>	<u>12,250</u>	<u>487,250</u>

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

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

AMORY SEPARATE SCHOOL DISTRICT
Notes to Financial Statements

Note 6 – Long-term Liabilities (Continued)

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill limited tax note, Series 2016	2.25%	7/17/2016	7/12/2026	1,170,000	1,002,000
Total				<u>\$ 1,170,000</u>	<u>1,002,000</u>

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

Year Ending June 30	Principal	Interest	Total
2018	0	0	0
2019	173,000	23,259	196,259
2020	177,000	19,367	196,367
2021	87,000	15,384	102,384
2022	89,000	13,427	102,427
2023-2026	476,000	34,800	510,800
Total	<u>\$ 1,002,000</u>	<u>106,237</u>	<u>1,108,237</u>

This debt will be retired from the Three Mill Note Debt Service Fund.

C. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Rate	Date	Date	Issued	Outstanding
Shortfall note, Series 2014	2.32%	8/15/2014	8/15/2017	66,998	22,847
Total				<u>\$ 66,998</u>	<u>22,847</u>

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

Shortfall note, Series 2014

Year Ending

June 30	Principal	Interest	Total
2018	22,847	530	23,377
Total	<u>\$ 22,847</u>	<u>530</u>	<u>23,377</u>

This debt will be retired from the Shortfall Notes Retirement Fund.

AMORY SEPARATE SCHOOL DISTRICT
Notes to Financial Statements

Note 6 – Long-term Liabilities (Continued)

D. Qualified school construction bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bonds					
payable, Series 2010	5.65%	10/22/2010	8/01/2025	\$ 3,000,000	1,932,000
Total				<u>\$ 3,000,000</u>	<u>1,932,000</u>

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 210,000	109,158	319,158
2019	210,000	97,293	307,293
2020	210,000	85,428	295,428
2021	210,000	73,563	283,563
2022	216,000	61,698	277,698
2023-2026	876,000	123,961	999,961
Total	<u>\$ 1,932,000</u>	<u>551,101</u>	<u>2,483,101</u>

This debt will be retired from the QSCB 2010 Retirement Fund.

AMORY SEPARATE SCHOOL DISTRICT
Notes to Financial Statements

Note 6 – Long-term Liabilities (Continued)

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

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 \$1,252,059, \$1,243,538, and \$1,284,876, respectively, which equaled the required contributions for each year.

AMORY SEPARATE SCHOOL DISTRICT
Notes to Financial Statements

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 \$22,042,321 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2017 net pension liability was 0.1234 percent, which was based on a measurement date of June 30, 2016. This was an increase of 0.0072 from its proportionate share used to calculate the June 30, 2016 net pension liability, which was based on a measurement date of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$2,734,933. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 626,788	\$
Net difference between projected and actual earnings on pension plan investments	1,741,803	(185,565)
Changes of assumptions	1,099,752	(58,574)
Changes in proportion and differences between the entity's contributions and proportionate share of overall contributions	486,633	(805,056)
Entity's contributions subsequent to the measurement date	1,252,059	
Total	<u>\$ 5,207,035</u>	<u>\$ (1,049,195)</u>

\$1,252,059 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2018	1,096,638
2019	739,709
2020	633,987
2021	435,447
2022	-
Total	<u><u>2,905,781</u></u>

AMORY SEPARATE SCHOOL DISTRICT
Notes to Financial Statements

Note 7 – Defined Benefit Pension Plan (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 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	0.25
Real Assets	10	4.00
Private Equity	8	6.15
Cash	1	(0.50)
Total	<u>100 %</u>	

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent, a decrease of 0.25 percentage points since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

AMORY SEPARATE SCHOOL DISTRICT
Notes to Financial Statements

Note 7 – Defined Benefit Pension Plan (Continued)

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Entity's proportionate share of the net pension liability	\$ 28,263,198	\$ 22,042,322	\$ 16,881,010

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

Note 8 – Contingencies

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

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

Note 9 – Risk Management

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

Participation in Public Entity Risk Pool

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

AMORY SEPARATE SCHOOL DISTRICT
Notes to Financial Statements

Note 10 – Qualified School Construction Bonds

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

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. For the year ended June 30, 2017, the subsidy payment amounted to \$100,216.

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 district promises to pay interest on such principal amount from the date of this Note or from the most recent interest payment date to which interest has been paid at the rate of interest per annum set forth above on October 22 of each year, commencing October 22, 2011. However, the United States Treasury reimburses the district for the amount of interest paid on the principal amount.

Note 11 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2018	\$ 3,657
2019	3,657
2020	3,657
2021	3,657
2022	1,618
2023-2027	8,089
2028-2032	7,457
2033-2037	6,035
2038-2042	4,207
Total	<u>\$ 42,034</u>

AMORY SEPARATE SCHOOL DISTRICT
Notes to Financial Statements

Note 12 – Subsequent Event

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Amory Separate School District evaluated the activity of the District through December 7, 2017, (the date the financial statements were available to be issued), and determined that one subsequent event had occurred that would require disclosure in the notes to the financial statements. On July 7, 2017, the school board approved the issuance of a \$132,665 shortfall note from the Gilmore Foundation at 2.97% interest.

REQUIRED SUPPLEMENTARY INFORMATION

Amory Separate School District
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 3,152,482	\$ 3,233,661	\$ 3,209,612	\$ 81,179	\$ (24,049)
State sources	8,191,062	8,067,223	8,067,223	(123,839)	-
Federal sources	185,650	193,406	193,406	7,756	-
Sixteenth section sources	10,847	16,240	16,240	5,393	-
Total Revenues	11,540,041	11,510,530	11,486,481	(29,511)	(24,049)
Expenditures:					
Instruction	6,884,836	6,944,153	6,881,464	(59,317)	62,689
Support services	4,139,325	3,945,623	3,918,702	193,702	26,921
Noninstructional services	37,720	5,585	5,260	32,135	325
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	11,061,881	10,895,361	10,805,426	166,520	89,935
Excess (Deficiency) of Revenues over (under) Expenditures	478,160	615,169	681,055	137,009	65,886
Other Financing Sources (Uses):					
Refunding bonds issued		10,948	-	10,948	(10,948)
Operating transfers in	10,000	10,000	9,000	-	(1,000)
Operating transfers out	(165,322)	(173,690)	(172,690)	(8,368)	1,000
Total Other Financing Sources (Uses)	(155,322)	(152,742)	(163,690)	2,580	(10,948)
Net Change in Fund Balances	322,838	462,427	517,365	139,589	54,938
Fund Balances:					
July 1, 2016	1,307,492	1,307,492	1,307,492	-	-
June 30, 2017	\$ 1,630,330	\$ 1,769,919	\$ 1,824,857	\$ 139,589	\$ 54,938

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

Amory Separate School District
Required Supplementary Information
Budgetary Comparison Schedule
Food Service Fund
For The Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 307,500	\$ 300,377	\$ 300,377	\$ (7,123)	\$ -
State sources	10,433	9,966	9,966	(467)	-
Federal sources	736,327	851,452	851,452	115,125	-
Total Revenues	1,054,260	1,161,795	1,161,795	107,535	-
Expenditures:					
Noninstructional services	987,853	1,096,163	1,072,472	(108,310)	23,691
Total Expenditures	987,853	1,096,163	1,072,472	(108,310)	23,691
Excess (Deficiency) of Revenues over (under) Expenditures	66,407	65,632	89,323	(775)	23,691
Other Financing Sources (Uses):					
Operating transfers out	(10,000)	(10,000)	(10,000)	-	-
Total Other Financing Sources (Uses)	(10,000)	(10,000)	(10,000)	-	-
Net Change in Fund Balances	56,407	55,632	79,323	(775)	23,691
Fund Balances:					
July 1, 2016	293,628	293,628	293,628	-	-
Increase (Decrease) in reserve for inventory	-	-	4,399	-	4,399
June 30, 2017	\$ 350,035	\$ 349,260	\$ 377,350	\$ (775)	\$ 28,090

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

Amory Separate School District
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
PERS
Last 10 Fiscal Years *

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.1234%	0.1306%	0.1218%
District's proportionate share of the net pension liability (asset)	\$ 22,042,322	20,188,185	14,783,440
District's covered payroll	\$ 7,895,479	8,157,943	7,442,165
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	279.18%	247.47%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.70%	67.21%

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

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

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

Amory Separate School District
Required Supplementary Information
Schedule of District Contributions
PERS
Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required obligation	\$ 1,252,059	1,243,538	1,284,876
Contribution in relation to the contractually required contribution	1,252,059	1,243,538	1,284,876
Contribution deficiency (excess)	<u>\$ 0</u>	<u>0</u>	<u>0</u>
District's covered payroll	7,949,581	7,895,479	8,157,943
Contributions as a percentage of its covered payroll	15.75%	15.75%	15.75%

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

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

AMORY SEPARATE SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2017

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and revisions.

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

Pension Schedules

(1) Changes of assumptions

2015:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Clue 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

Amory Separate School District
Supplementary Information
Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2017

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 196,164
National school lunch program	10.555	655,287
Total child nutrition cluster		851,451
Total passed-through Mississippi Department of Education		851,451
Total U.S. Department of Agriculture		851,451
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	44,280
Total Federal Communications Commission		44,280
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	385,183
Vocational rehabilitation - grants to states	84.048	22,466
Rural education	84.358	24,170
Improving teacher quality - state grants	84.367	86,659
Subtotal		518,478
Special education cluster:		
Special education - grants to states	84.027	392,904
Special education - preschool grants	84.173	29,901
Total special education cluster		422,805
Total passed-through Mississippi Department of Education		941,283
Total U.S. Department of Education		941,283
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	72,121
Total U.S. Department of Health and Human Services		72,121
Total for All Federal Awards		\$ 1,909,135

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

Amory Separate School District
Supplementary Information
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For The Year Ended June 30, 2017

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 10,779,147	7,283,624	1,509,937	898,280	1,087,306
Other	4,719,090	753,864	358,019	33,152	3,574,055
Total	<u>\$ 15,498,237</u>	<u>8,037,488</u>	<u>1,867,956</u>	<u>931,432</u>	<u>4,661,361</u>
Total number of students *	<u>1,743</u>				
Cost per student	<u>\$ 8,892</u>	<u>4,612</u>	<u>1,072</u>	<u>534</u>	<u>2,674</u>

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

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

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

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

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

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

AMORY SEPARATE SCHOOL DISTRICT
Notes to the Supplementary Information
For the Year Ended June 30, 2017

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Amory Separate 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 Amory Separate School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Amory Separate School District.

(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.

(3) Indirect Cost Rate

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

OTHER INFORMATION

Amory Separate School District
Other Information
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years
UNAUDITED

	2017	2016*	2015*	2014*
Revenues:				
Local sources	\$ 3,209,612	2,846,459	2,743,175	2,804,570
State sources	8,067,223	8,139,642	7,908,676	8,049,504
Federal sources	193,406	179,661	175,189	195,734
Sixteenth section sources	16,240	10,847	-	-
Total Revenues	11,486,481	11,176,609	10,827,040	11,049,808
Expenditures:				
Instruction	6,881,464	6,698,808	6,608,837	6,587,009
Support services	3,918,702	3,530,903	3,761,121	3,808,825
Noninstructional services	5,260	35,548	16,062	13,123
Debt service:				
Interest	-	-	11,976	-
Total Expenditures	10,805,426	10,265,259	10,397,996	10,408,957
Excess (Deficiency) of Revenues over (under) Expenditures	681,055	911,350	429,044	640,851
Other Financing Sources (Uses):				
Bonds and notes issued	-	-	66,998	179,756
Operating transfers in	9,000	10,000	10,000	5,000
Other financing sources	-	-	-	209
Operating transfers out	(172,690)	(150,296)	(242,303)	(780,791)
Total Other Financing Sources (Uses)	(163,690)	(140,296)	(165,305)	(595,826)
Net Change in Fund Balances	517,365	771,054	263,739	45,025
Fund Balances:				
Beginning of period, as previously reported	1,307,492	536,438	275,501	270,184
Prior period adjustments	-	-	(13,117)	(39,708)
Fund reclassifications	-	-	10,315	-
Beginning of period, as restated	1,307,492	536,438	272,699	230,476
End of Period	\$ 1,824,857	1,307,492	536,438	275,501

*SOURCE - PRIOR YEAR AUDIT REPORTS

Amory Separate School District
Other Information
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years
UNAUDITED

	2017	2016*	2015*	2014*
Revenues:				
Local sources	\$ 3,849,811	3,612,323	3,444,938	3,430,796
State sources	9,177,361	9,290,115	9,017,119	8,671,776
Federal sources	2,086,357	1,983,622	1,930,697	2,043,704
Sixteenth section sources	16,240	10,847	-	3,449
Total Revenues	<u>15,129,769</u>	<u>14,896,907</u>	<u>14,392,754</u>	<u>14,149,725</u>
Expenditures:				
Instruction	8,036,795	7,867,764	7,718,066	7,745,181
Support services	4,853,025	4,508,393	4,569,523	4,595,355
Noninstructional services	1,081,636	1,070,939	994,807	1,049,440
Debt service:				
Principal	1,346,586	744,731	663,590	555,000
Interest	167,893	209,333	298,009	202,092
Other	12,298	9,595	12,596	71,875
Total Expenditures	<u>15,498,233</u>	<u>14,410,755</u>	<u>14,256,591</u>	<u>14,218,943</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(368,464)</u>	<u>486,152</u>	<u>136,163</u>	<u>(69,218)</u>
Other Financing Sources (Uses):				
Bonds and notes issued	1,170,000		66,998	929,756
Operating transfers in	877,632	232,146	348,112	785,791
Other financing sources	-		-	209
Operating transfers out	(877,632)	(232,146)	(348,112)	(785,791)
Total Other Financing Sources (Uses)	<u>1,170,000</u>	<u>0</u>	<u>66,998</u>	<u>929,965</u>
Net Change in Fund Balances	<u>801,536</u>	<u>486,152</u>	<u>203,161</u>	<u>860,747</u>
Fund Balances:				
Beginning of period, as previously reported	2,209,318	1,718,529	1,523,679	705,385
Prior period adjustments	-		(6,939)	(39,708)
Beginning of period, as restated	<u>2,209,318</u>	<u>1,718,529</u>	<u>1,516,740</u>	<u>665,677</u>
Increase (Decrease) in reserve for inventory	<u>4,399</u>	<u>4,637</u>	<u>(1,372)</u>	<u>(2,745)</u>
End of Period	<u>\$ 3,015,253</u>	<u>2,209,318</u>	<u>1,718,529</u>	<u>1,523,679</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



WATKINS, WARD and STAFFORD

Professional Limited Liability Company
Certified Public Accountants

James L. Stafford, CPA
Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Staggars, CPA
Michael W. McCully, CPA
Mort Stroud, CPA
R. Steve Sinclair, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA
Robin Y. McCormick, CPA/PFS
J. Randy Scrivner, CPA
Kimberly S. Caskey, CPA
Susan M. Lummus, CPA

Thomas J. Browder, CPA
Stephen D. Flake, CPA
John N. Russell, CPA
Thomas A. Davis, CPA
Anita L. Goodrum, CPA
Ricky D. Allen, CPA
Jason D. Brooks, CPA
Robert E. Cordle, Jr., CPA
Perry C. Rackley, Jr., CPA
Jerry L. Gammel, CPA
Michael C. Knox, CPA
Clifford P. Stewart, CPA

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

Superintendent and School Board
Amory Separate School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Amory Separate School District, as of and for the year ended June 30, 2017, and the related notes to financial statements, which collectively comprise the Amory Separate School District's basic financial statements, and have issued our report thereon dated December 7, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Amory Separate 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.

Okolona, Mississippi
December 7, 2017

Watkins Ward and Stafford, PLLC



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

James L. Stafford, CPA
Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Staggers, CPA
Michael W. McCully, CPA
Mort Stroud, CPA
R. Steve Sinclair, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA
Robin Y. McCormick, CPA/PFS
J. Randy Scrivner, CPA
Kimberly S. Caskey, CPA
Susan M. Lummus, CPA

Thomas J. Browder, CPA
Stephen D. Flake, CPA
John N. Russell, CPA
Thomas A. Davis, CPA
Anita L. Goodrum, CPA
Ricky D. Allen, CPA
Jason D. Brooks, CPA
Robert E. Cordle, Jr., CPA
Perry C. Rackley, Jr., CPA
Jerry L. Gammel, CPA
Michael C. Knox, CPA
Clifford P. Stewart, CPA

**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
Amory Separate School District

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the Amory Separate School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Amory Separate School District's internal control over

compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 the Amory Separate School District's internal control over compliance.

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

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

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

Okolona, Mississippi
December 7, 2017

Watkins Ward and Stafford, PLLC

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS



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

James L. Stafford, CPA
Harry W. Stevens, CPA
S. Keith Winfield, CPA
William B. Staggars, CPA
Michael W. McCully, CPA
Mort Stroud, CPA
R. Steve Sinclair, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA
Robin Y. McCormick, CPA/PFS
J. Randy Scrivner, CPA
Kimberly S. Caskey, CPA
Susan M. Lummus, CPA

Thomas J. Browder, CPA
Stephen D. Flake, CPA
John N. Russell, CPA
Thomas A. Davis, CPA
Anita L. Goodrum, CPA
Ricky D. Allen, CPA
Jason D. Brooks, CPA
Robert E. Cordle, Jr., CPA
Perry C. Rackley, Jr., CPA
Jerry L. Gammel, CPA
Michael C. Knox, CPA
Clifford P. Stewart, CPA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
Amory Separate School District

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Amory Separate School District as of and for the year ended June 30, 2017, which collectively comprise Amory Separate School District's basic financial statements and have issued our report thereon dated December 7, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

Finding

Under Section 27-105-5(6)(b), MS Code Ann. (1972), not later than thirty (30) days following its fiscal year end, a public depositor shall notify the State Treasurer of its official name, address, federal tax identification number, and provide a listing of all accounts that it had with qualified public depositories, including the deposit balance in those accounts, as of its fiscal year end. The State Treasurer Depository report was not filed with the State Treasurer until August 21, 2017.

Recommendation

In the future, the School District should file the State Treasurer Depository report within thirty (30) of its fiscal year end.

Response

In the future, the School District will file the State Treasurer Depository report in a timely manner.

Finding

Under Section 25-11-127, MS Code Ann. (1972), before an entity hires an individual as an employee, the entity should verify if the prospective employee is a current retiree of the Public Employees' Retirement System (PERS) receiving retirement benefits. If the prospective employee is a PERS retiree, and the person is determined to be an employee, the entity should have filed with PERS the PERS Form 4B "Certification / Acknowledgement of Reemployment of Retiree" within five (5) days of employment. During the current school year, the school district rehired several employees receiving PERS benefits. In several instances, the PERS Form 4B was not filed within five (5) days of employment, and in one instance, the PERS Form 4B was not filed at all.

Recommendation

When hiring or rehiring employees that are current retirees of the Public Employees' Retirement System, the School District should file PERS Form 4B within five (5) days of employment.

Response

In the future, the School District will work diligently to get the PERS Form 4B filed in a timely manner.

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

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

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

Okolona, Mississippi
December 7, 2017

Watkins Ward and Stafford, PLLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | | | | | | |
|---------------------|---|---------------------|---|----------------|-------------------------|--|
| 4. | Internal control over major programs: | | | | | |
| a. | Material weakness (es) identified? | No | | | | |
| b. | Significant deficiency (ies) identified? | None reported | | | | |
| 5. | Type of auditor's report issued on compliance for major federal 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: | | | | | |
| | <table border="0" style="width: 100%;"> <tr> <td style="text-align: left;"><u>CFDA Numbers</u></td> <td style="text-align: left;"><u>Name of Federal Program or Cluster</u></td> </tr> <tr> <td>10.553, 10.555</td> <td>Child nutrition cluster</td> </tr> </table> | <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> | 10.553, 10.555 | Child nutrition cluster | |
| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> | | | | | |
| 10.553, 10.555 | Child nutrition cluster | | | | | |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$750,000 | | | | |
| 9. | Auditee qualified as a low-risk auditee? | Yes | | | | |

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

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.