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CHOCTAW COUNTY SCHOOL DISTRICT

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

CHOCTAW COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT



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

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Susan M. Lummus, CPA	

INDEPENDENT AUDITORS' REPORT

Superintendent and School Board
Choctaw County School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Choctaw County School District as of and for the year ended June 30, 2017, and the related notes to financial statements, which collectively comprise the Choctaw County 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. 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 Choctaw County 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 5-14, 46-47, 48 and 49, 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 Choctaw County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2018 on our consideration of the Choctaw County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Choctaw County School District's internal control over financial reporting and compliance.

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi
February 5, 2018

Watkins Ward and Stafford, PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

CHOCTAW COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2017

The following discussion and analysis of Choctaw County 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 increased \$2,674,401, including a prior period adjustment of \$40,739, which represents a 104% increase from fiscal year 2016. Total net position for 2016 increased \$2,811,847, including a prior period adjustment of (\$101,272), which represents a 1,153% increase from fiscal year 2015.
- General revenues amounted to \$17,723,688 and \$16,614,032, or 85% and 84% of all revenues for fiscal years 2017 and 2016, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,100,012, or 15% of total revenues for 2017, and \$3,224,747, or 16 % of total revenues for 2016.
- The District had \$18,190,038 and \$16,925,660 in expenses for fiscal years 2017 and 2016; only \$3,100,012 for 2017 and \$3,224,747 for 2016 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$17,723,688 for 2017 and \$16,614,032 for 2016 were adequate to provide for these programs.
- Among major funds, the General Fund had \$17,435,371 in revenues and \$13,368,561 in expenditures for 2017, and \$16,532,384 in revenues and \$12,946,627 in expenditures in 2016. The General Fund's fund balance decreased by \$1,478,780, which includes a prior period adjustment of \$18,120 from 2016 to 2017, and decreased by \$778,809 from 2015 to 2016.
- Capital assets, net of accumulated depreciation, increased by \$320,872 for 2017 and decreased by \$191,094 for 2016. The increase for 2017 was due to the addition of construction in progress, three buses and equipment, coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$463,481 for 2017 and decreased by \$450,564 for 2016. This decrease for 2017 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$14,320 for 2017 and increased by \$46,299 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.

CHOCTAW COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2017

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

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

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

Fund Financial Statements

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

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

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

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

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

CHOCTAW COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2017

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.

A net pension liability results in a liability on the government-wide financial statements but is not reported on governmental funds financial statements.

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

Notes to the financial statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, Schedule of the District's Proportionate Share of the Net Pension Liability, and 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 one 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.

CHOCTAW COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5,242,327 as of June 30, 2017.

Table 1
Condensed Statement of Net Position

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Current assets	\$ 16,961,998	\$ 12,974,975	30.73 %
Restricted assets	523,969	520,024	0.76 %
Capital assets, net	9,141,997	8,821,125	3.64 %
Total assets	<u>26,627,964</u>	<u>22,316,124</u>	19.32 %
 Deferred outflows of resources	 <u>5,556,580</u>	 <u>4,152,477</u>	 33.81 %
 Current liabilities	 379,719	 136,878	 177.41 %
Long-term debt outstanding	1,870,014	2,319,175	-19.37 %
Net pension liability	24,554,682	20,696,136	18.64 %
Total liabilities	<u>26,804,415</u>	<u>23,152,189</u>	15.77 %
 Deferred inflows of resources	 <u>137,802</u>	 <u>748,486</u>	 -81.59 %
 Net position:			
Net investment in capital assets	7,486,396	6,702,043	11.70 %
Restricted	1,306,885	5,266,236	-75.18 %
Unrestricted	(3,550,954)	(9,400,353)	62.23 %
Total net position	<u>\$ 5,242,327</u>	<u>\$ 2,567,926</u>	104.15 %

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$(3,550,954)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	19,135,904
Unrestricted net position, exclusive of the net pension liability effect	<u>\$15,584,950</u>

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

- Increase in net capital assets in the amount of \$320,872.
- The principal retirement of \$463,481 of long-term debt.

CHOCTAW COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2017 and June 30, 2016 were \$20,823,700 and \$19,838,779, respectively. The total cost of all programs and services was \$18,190,038 for 2017 and \$16,925,660 for 2016.

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

Table 2
Changes in Net Position

	<u>Year Ended</u> <u>June 30, 2017</u>	<u>Year Ended</u> <u>June 30, 2016</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 693,125	\$ 699,073	(0.85) %
Operating grants and contributions	2,406,887	2,471,575	(2.62) %
Capital Grants and Contributions	-	54,099	(100.00) %
General revenues:			
Property taxes	10,467,485	9,361,962	11.81 %
Grants and contributions not restricted	6,994,382	6,974,865	0.28 %
Investment earnings	7,379	7,428	(0.66) %
Sixteenth section sources	160,902	226,772	(29.05) %
Other	93,540	43,005	117.51 %
Total revenues	<u>20,823,700</u>	<u>19,838,779</u>	<u>4.96 %</u>
Expenses:			
Instruction	8,264,107	8,528,295	(3.10) %
Support services	5,773,591	5,495,505	5.06 %
Non-instructional	750,182	802,591	(6.53) %
Sixteenth section	87,179	81,100	7.50 %
Pension expense	3,243,139	1,940,117	67.16 %
Interest on long-term liabilities	71,840	78,052	(7.96) %
Total expenses	<u>18,190,038</u>	<u>16,925,660</u>	<u>7.47 %</u>
Increase (Decrease) in net position	<u>2,633,662</u>	<u>2,913,119</u>	<u>(9.59) %</u>
Net Position (Deficit), July 1, as previously reported	<u>2,567,926</u>	<u>(243,921)</u>	1,152.77 %
Prior Period Adjustment	<u>40,739</u>	<u>(101,272)</u>	140.23 %
Net Position (Deficit), July 1, as restated	<u>2,608,665</u>	<u>(345,193)</u>	855.71 %
Net Position, June 30	<u>\$ 5,242,327</u>	<u>\$ 2,567,926</u>	104.15 %

CHOCTAW COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2017	2016	
Instruction	\$ 8,264,107	\$ 8,528,295	(3.10) %
Support services	5,773,591	5,495,505	5.06 %
Non-instructional	750,182	802,591	(6.53) %
Sixteenth section	87,179	81,100	7.50 %
Pension Expense	3,243,139	1,940,117	67.16 %
Interest on long-term liabilities	71,840	78,052	(7.96) %
Total expenses	\$ 18,190,038	\$ 16,925,660	7.47 %

	Net (Expense) Revenue		Percentage Change
	2017	2016	
Instruction	\$ (6,579,775)	\$ (6,704,022)	(1.85) %
Support services	(5,221,561)	(4,914,001)	6.26 %
Non-instructional	97,830	(2,637)	(3,809.90) %
Sixteenth section	(71,541)	(62,084)	15.23 %
Pension Expense	(3,243,139)	(1,940,117)	67.16 %
Interest on long-term liabilities	(71,840)	(78,052)	(7.96) %
Total net (expense) revenue	\$ (15,090,026)	\$ (13,700,913)	10.14 %

- Net cost of governmental activities (\$15,090,026 for 2017 and \$13,700,913 for 2016) was financed by general revenue, which is primarily made up of property taxes (\$10,286,628 for 2017 and \$9,361,962 for 2016) and state and federal revenues (\$6,994,382 for 2017 and \$6,974,865 for 2016). In addition, there was \$160,902 and \$226,772 in Sixteenth Section sources for 2017 and 2016, respectively.
- Investment earnings amounted to \$7,379 for 2017 and \$7,428 for 2016.

CHOCTAW COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2017

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 \$16,956,464, an increase of \$3,561,658, which includes a prior period adjustment of \$18,120 and an increase in inventory of \$9,302. \$6,126,475 or 36% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$10,829,989 or 64% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$1,478,780, which includes a prior period adjustment of \$18,120. The fund balance of Other Governmental Funds showed an increase in the amount of \$36,707, which includes an increase in reserve for inventory of \$9,302. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Fund	\$ no increase or decrease
Building Projects Fund	\$ 5,003,731

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 one major special revenue fund is provided in this report as required supplementary information.

CHOCTAW COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2017, the District's total capital assets were \$16,553,104, including land, construction in progress, school buildings, building improvements, buses, other school vehicles, furniture, and equipment. This amount represents an increase of \$480,102 from 2016. Total accumulated depreciation as of June 30, 2017, was \$7,411,107, and total depreciation expense for the year was \$382,661, resulting in total net capital assets of \$9,141,997.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 112,409	\$ 112,409	0.00 %
Construction in progress	394,324	-	N/A %
Buildings	7,507,387	7,717,715	(2.73) %
Building improvements	125,104	134,728	(7.14) %
Improvements other than buildings	10,788	10,788	0.00 %
Mobile equipment	892,442	751,182	18.81 %
Furniture and equipment	99,543	94,303	5.56 %
Total	<u>\$ 9,141,997</u>	<u>\$ 8,821,125</u>	3.64 %

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

CHOCTAW COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Debt Administration. At June 30, 2017, the District had \$1,870,014 in outstanding long-term debt, of which \$734,722 is due within one year. The liability for compensated absences increased \$14,320 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	\$ 527,000	\$ 791,000	(33.38) %
Three mill notes payable	792,778	944,778	(16.09) %
Obligations under energy efficiency leases	335,823	383,304	(12.39) %
Compensated absences payable	214,413	200,093	7.16 %
Total	<u>\$ 1,870,014</u>	<u>\$ 2,319,175</u>	<u>(19.37) %</u>

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

CURRENT ISSUES

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

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

Enrollment for the 2016-2017 year decreased by 3% to 1345 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Choctaw County School District, PO Drawer 398, Ackerman, MS 39735.

BASIC FINANCIAL STATEMENTS

CHOCTAW COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2017

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 14,674,213
Investments	1,115,441
Due from other governments	795,971
Other receivables, net	344,241
Inventories	32,132
Restricted assets	523,969
Capital assets, non-depreciable:	
Land	112,409
Construction in progress	394,324
Capital assets, net of accumulated depreciation:	
Buildings	7,507,387
Building improvements	125,104
Improvements other than buildings	10,788
Mobile equipment	892,442
Furniture and equipment	99,543
Total Assets	<u>26,627,964</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	5,556,580
Total Deferred Outflows of Resources	<u>5,556,580</u>
Liabilities	
Accounts payable and accrued liabilities	348,646
Interest payable on long-term liabilities	31,073
Long-term liabilities, due within one year:	
Capital related liabilities	734,722
Long-term liabilities, due beyond one year:	
Capital related liabilities	920,879
Non-capital related liabilities	214,413
Net pension liability	24,554,682
Total Liabilities	<u>26,804,415</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	137,802
Total Deferred Inflows of Resources	<u>137,802</u>
Net Position	
Net investment in capital assets	7,486,396
Restricted for:	
Expendable:	
School-based activities	403,052
Debt service	332,688
Forestry improvements	150,115
Unemployment benefits	36,534
Non-expendable:	
Sixteenth section	384,496
Unrestricted (deficit)	(3,550,954)
Total Net Position	<u>\$ 5,242,327</u>

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

CHOCTAW COUNTY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2017

Exhibit B

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
		Services	Grants and	Changes in Net
			Contributions	Position
				Governmental
				Activities
Governmental Activities:				
Instruction	\$ 8,264,107	\$ 471,231	\$ 1,213,101	\$ (6,579,775)
Support services	5,773,591	-	552,030	(5,221,561)
Non-instructional	750,182	206,256	641,756	97,830
Sixteenth section	87,179	15,638	-	(71,541)
Pension expense	3,243,139	-	-	(3,243,139)
Interest on long-term liabilities	71,840	-	-	(71,840)
Total Governmental Activities	<u>\$ 18,190,038</u>	<u>\$ 693,125</u>	<u>\$ 2,406,887</u>	<u>\$ (15,090,026)</u>
General Revenues:				
Taxes:				
General purpose levies				10,328,728
Debt purpose levies				138,757
Unrestricted grants and contributions:				
State				6,817,626
Federal				176,756
Unrestricted investment earnings				7,379
Sixteenth section sources				160,902
Other				93,540
Total General Revenues				<u>17,723,688</u>
Change in Net Position				<u>2,633,662</u>
Net Position - Beginning, as previously reported				2,567,926
Prior Period Adjustments				<u>40,739</u>
Net Position - Beginning				<u>2,608,665</u>
Net Position - Ending				<u>\$ 5,242,327</u>

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

CHOCTAW COUNTY SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2017

Exhibit C

	Major Funds					
	General Fund	Title I Fund	Building Projects Fund	Other Governmental Funds	Total Governmental Funds	
Assets						
Cash and cash equivalents	\$ 5,137,466	\$ -	\$ 9,005,401	\$ 532,842	\$ 14,675,709	
Cash with fiscal agents	-	-	-	139,473	139,473	
Investments	1,015,441	-	-	483,000	1,498,441	
Due from other governments	297,649	112,867	-	204,598	615,114	
Other receivables, net	15,671	-	-	-	15,671	
Due from other funds	423,818	31,946	-	36,624	492,388	
Inventories	-	-	-	32,132	32,132	
Total Assets	<u>\$ 6,890,045</u>	<u>\$ 144,813</u>	<u>\$ 9,005,401</u>	<u>\$ 1,428,669</u>	<u>\$ 17,468,928</u>	
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 276,025	\$ 26,506	\$ -	\$ 46,115	\$ 348,646	
Due to other funds	915	118,307	-	44,596	163,818	
Total Liabilities	<u>\$ 276,940</u>	<u>\$ 144,813</u>	<u>\$ -</u>	<u>\$ 90,711</u>	<u>\$ 512,464</u>	
Fund Balances:						
Nonspendable:						
Inventory	-	-	-	32,132	32,132	
Permanent fund principal	-	-	-	384,496	384,496	
Restricted:						
Debt service	-	-	-	363,761	363,761	
Forestry improvement purposes	-	-	-	150,115	150,115	
Grant activities	-	-	-	370,920	370,920	
Unemployment benefits	-	-	-	36,534	36,534	
Committed:						
Capital improvements	-	-	9,005,401	-	9,005,401	
Assigned:						
Capital improvements	14,165	-	-	-	14,165	
Activity funds	273,800	-	-	-	273,800	
Other	4,003	-	-	-	4,003	
School based health and outreach activities	194,662	-	-	-	194,662	
Unassigned	<u>6,126,475</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,126,475</u>	
Total Fund Balances	<u>6,613,105</u>	<u>-</u>	<u>9,005,401</u>	<u>1,337,958</u>	<u>16,956,464</u>	
Total Liabilities and Fund Balances	<u>\$ 6,890,045</u>	<u>\$ 144,813</u>	<u>\$ 9,005,401</u>	<u>\$ 1,428,669</u>	<u>\$ 17,468,928</u>	

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

CHOCTAW COUNTY 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 **\$ 16,956,464**

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	\$ 112,409	
Construction in progress	394,324	
Buildings	12,827,575	
Building improvements	240,583	
Improvements other than buildings	53,940	
Mobile equipment	2,411,687	
Furniture and equipment	512,586	
Accumulated depreciation	<u>(7,411,107)</u>	9,141,997

2. Some of the district's revenues will be collected after year-end but represents a shortfall for financial obligations for the current year. These amounts are recorded as a receivable in the statement of net position.

180,857

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

Net pension liability	(24,554,682)
-----------------------	--------------

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	5,556,580	
Deferred inflows of resources related to pensions	<u>(137,802)</u>	(19,135,904)

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

Limited obligation bonds	\$ (527,000)	
Three mill notes payable	(792,778)	
Obligations under energy efficiency lease	(335,823)	
Compensated absences	(214,413)	
Accrued interest payable	<u>(31,073)</u>	<u>(1,901,087)</u>

Net position of governmental activities **\$ 5,242,327**

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

CHOCTAW COUNTY 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	Title I Fund	Building Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local sources	\$ 10,674,351	\$ -	\$ 3,731	\$ 363,493	\$ 11,041,575
Intermediate sources	10,000	-	-	-	10,000
State sources	6,419,702	-	-	840,825	7,260,527
Federal sources	176,756	683,929	-	1,271,856	2,132,541
Sixteenth section sources	154,562	-	-	22,858	177,420
Total Revenues	17,435,371	683,929	3,731	2,499,032	20,622,063
Expenditures:					
Instruction	7,655,380	565,539	-	791,602	9,012,521
Support services	5,219,371	99,103	-	976,167	6,294,641
Noninstructional services	-	7,574	-	773,735	781,309
Sixteenth section	33,916	-	-	53,263	87,179
Facilities acquisition and construction	394,324	-	-	-	394,324
Debt service:					
Principal	47,481	-	-	416,000	463,481
Interest	18,089	-	-	58,013	76,102
Other	-	-	-	1,350	1,350
Total Expenditures	13,368,561	672,216	-	3,070,130	17,110,907
Excess (Deficiency) of Revenues over (under) Expenditures	4,066,810	11,713	3,731	(571,098)	3,511,156
Other Financing Sources (Uses):					
Insurance recovery	20,780	-	-	-	20,780
Sale of transportation equipment	2,300	-	-	-	2,300
Operating transfers in	13,081	-	5,000,000	599,871	5,612,952
Operating transfers out	(5,599,871)	(11,713)	-	(1,368)	(5,612,952)
Total Other Financing Sources (Uses)	(5,563,710)	(11,713)	5,000,000	598,503	23,080
Net Change in Fund Balances	(1,496,900)	-	5,003,731	27,405	3,534,236
Fund Balances:					
July 1, 2016, as previously reported	8,091,885	-	4,001,670	1,301,251	13,394,806
Prior Period Adjustments	18,120	-	-	-	18,120
July 1, 2016	8,110,005	-	4,001,670	1,301,251	13,412,926
Increase (Decrease) in reserve for inventory	-	-	-	9,302	9,302
June 30, 2017	\$ 6,613,105	\$ -	\$ 9,005,401	1,337,958	\$ 16,956,464

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

Governmental Funds

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

Net change in fund balances - total governmental funds \$ 3,534,236

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	\$ 704,703	
Depreciation expense	<u>(382,661)</u>	322,042

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. (23,789)

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

Payments of debt principal	\$ 463,481	
Accrued interest payable	<u>5,612</u>	469,093

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

Recording of contributions made subsequent to the measurement date	1,399,380	
Recording of pension expense for the current period	<u>(3,243,139)</u>	(1,843,759)

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

Change in due from other governments	180,857	
Change in compensated absences	(14,320)	
Change in inventory reserve	<u>9,302</u>	<u>175,839</u>

Change in net position of governmental activities \$ 2,633,662

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

CHOCTAW COUNTY SCHOOL DISTRICT
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2017

Exhibit E

	Private Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 17,232	\$ 950,842
Investments	31,150	-
Total Assets	<u>\$ 48,382</u>	<u>\$ 950,842</u>
Liabilities		
Accounts payable and accrued liabilities	\$ -	\$ 537,564
Due to other funds	-	328,570
Due to student clubs	-	84,708
Total Liabilities	<u>\$ -</u>	<u>\$ 950,842</u>
Net Position		
Reserved for endowments	48,382	
Total Net Position	<u>\$ 48,382</u>	

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

CHOCTAW COUNTY SCHOOL DISTRICT
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2017

Exhibit F

	Private Purpose Trust Funds
Additions	
Interest on investments	\$ 22
Contributions and donations from private sources	7,600
Total Additions	<u>7,622</u>
Deductions	
Scholarships awarded	<u>5,000</u>
Total Deductions	<u>5,000</u>
Change in Net Position	<u>2,622</u>
Net Position	
July 1, 2016	<u>45,760</u>
June 30, 2017	<u><u>\$ 48,382</u></u>

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

CHOCTAW COUNTY SCHOOL DISTRICT
Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board to which each member is elected by the citizens of each defined county district.

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

B. Government-wide and Fund Financial Statements

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

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

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

CHOCTAW COUNTY SCHOOL DISTRICT

Notes to Financial Statements

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

The school district reports the following major governmental funds:

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

Title I Fund - This is a special revenue fund that accounts for federal sources received and expenditures incurred under the Title I grants to local educational agencies program.

Building Project Fund – This is a capital project fund used to accumulate funds for the purpose of building a new sports complex.

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.

Scholarship Funds - These funds are private purpose trust funds that serve to report all trust arrangements.

Student Club Funds - These various funds account for the monies raised through school club activities, fund raisers and club related expenditures approved by the individual clubs.

Accounts Payable Clearing Fund - This fund is used as a clearing account for non-payroll 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.

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

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

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

CHOCTAW COUNTY SCHOOL DISTRICT
Notes to Financial Statements

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there 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.

CHOCTAW COUNTY SCHOOL DISTRICT
Notes to Financial Statements

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 or assignments resulting from approved purchase orders, work orders and contracts.

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

CHOCTAW COUNTY SCHOOL DISTRICT
Notes to Financial Statements

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at acquisition 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.

CHOCTAW COUNTY SCHOOL DISTRICT
Notes to Financial Statements

The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The school district has incurred a deferred outflow which is presented as a deferred outflow for pensions. See Note 14 for further details.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The school district has incurred a deferred inflow which is presented as a deferred inflow for pensions. See Note 14 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

CHOCTAW COUNTY SCHOOL DISTRICT
Notes to Financial Statements

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

10. Pensions

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

11. Fund Balances

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is the resolution approved by the 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 Business Manager pursuant to authorization established by policy adopted by the school district.

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

CHOCTAW COUNTY SCHOOL DISTRICT

Notes to Financial Statements

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 5% of revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

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

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$16,174,150 (which includes \$1,498,441 of certificates of deposit with original maturities beyond three months and reported on the Balance Sheet as investments) and \$999,224 (which includes \$31,150 of certificates of deposit with original maturities beyond three months and reported on the Balance Sheet as investments), respectively. The carrying amount of cash reported in the fiduciary funds is reported as cash and cash equivalents of \$17,232 and \$950,842 in private purpose trust funds and agency funds, respectively, and \$31,150 in investments in private purpose trust funds.

CHOCTAW COUNTY SCHOOL DISTRICT

Notes to Financial Statements

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2017, none of the district's bank balance of \$17,274,135 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$139,473.

Investments

As of June 30, 2017, the district had the following investments.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
Certificates of deposit	No Rating	1 year	\$ 1,529,591
Total			<u>\$ 1,529,591</u>

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

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

- Certificate of deposit type of investments of \$1,529,591 are valued using a matrix pricing model (Level 2 inputs)

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2017, the district did not have any investments to which this would apply.

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2017, the district had the following investments:

<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Regions Bank Certificates of Deposit	\$ 1,529,591	100%

CHOCTAW COUNTY SCHOOL DISTRICT
Notes to Financial Statements

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I Fund	\$ 118,307
	Other governmental funds	44,596
	Agency Funds	260,915
Title I Fund	Agency Funds	31,946
Other governmental funds	General Fund	915
	Agency Funds	35,709
Total		<u>\$ 492,388</u>

The purpose of the Due From/To Other Funds was to cover deficit cash balances at year end.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Building Projects Fund	\$ 5,000,000
	Other governmental funds	599,871
Title I Fund	General Fund	11,713
Other governmental funds	General Fund	1,368
Total		<u>\$ 5,612,952</u>

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

Note 4 – Restricted Assets

The restricted assets represent the cash balance and investment balance, totaling \$1,496 and \$383,000 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the cash and cash with fiscal agents balance, totaling \$139,473, of the MAEP Limited Obligation Bond Fund.

CHOCTAW COUNTY SCHOOL DISTRICT
Notes to Financial Statements

Note 5 – Capital Assets

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

	Balance 7/1/2016	Increases	Decreases	Adjustments	Balance 6/30/2017
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 112,409	\$ -	\$ -	\$ -	112,409
Construction-in-progress		394,324	-	-	394,324
Total non-depreciable capital assets	112,409	394,324	-	-	506,733
<u>Depreciable capital assets:</u>					
Buildings	12,827,575	-	-	-	12,827,575
Building improvements	240,583	-	-	-	240,583
Improvements other than buildings	53,940	-	-	-	53,940
Mobile equipment	2,355,838	272,000	237,051	20,900	2,411,687
Furniture and equipment	482,657	38,379	8,450	-	512,586
Total depreciable capital assets	15,960,593	310,379	245,501	20,900	16,046,371
<u>Less accumulated depreciation for:</u>					
Buildings	5,109,860	210,328	-	-	5,320,188
Building improvements	105,855	9,624	-	-	115,479
Improvements other than buildings	43,152	-	-	-	43,152
Mobile equipment	1,604,656	130,176	213,346	(2,241)	1,519,245
Furniture and equipment	388,354	32,533	8,366	522	413,043
Total accumulated depreciation	7,251,877	382,661	221,712	(1,719)	7,411,107
Total depreciable capital assets, net	8,708,716	(72,282)	23,789	22,619	8,635,264
Governmental activities capital assets, net	\$ 8,821,125	\$ 322,042	\$ 23,789	\$ 22,619	\$ 9,141,997

Adjustments were made to report capital assets omitted in previous year and to correct depreciation calculated on various assets.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 191,399
Support services	172,930
Non-instructional	18,332
Total depreciation expense - Governmental activities	\$ 382,661

CHOCTAW COUNTY SCHOOL DISTRICT
Notes to Financial Statements

The details of construction-in-progress are as follows:

	Spent to June 30, 2017	Remaining Commitment
Governmental Activities:		
AES Security Doors	\$ 120,481	\$ -
CCHS Security Doors	116,128	-
FCE Security Doors	50,746	-
WES Security Doors	106,969	-
Total governmental activities	<u>394,324</u>	<u>-</u>

Construction projects included in governmental activities are funded with local district funds.

Note 6 – Long-term Liabilities

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

	Balance 7/1/2016	Additions	Reductions	Balance 6/30/2017	Amounts due within one year
A. Limited obligation bonds payable	\$ 791,000	\$ -	\$ 264,000	\$ 527,000	\$ 527,000
B. Three mill notes payable	944,778	-	152,000	792,778	158,000
C. Obligations under energy efficiency leases	383,304	-	47,481	335,823	49,722
D. Compensated absences payable	200,093	28,812	14,492	214,413	-
Total	<u>\$ 2,319,175</u>	<u>\$ 28,812</u>	<u>\$ 477,973</u>	<u>\$ 1,870,014</u>	<u>\$ 734,722</u>

A. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvement Bonds - Series 2008	3.10%	6/12/2008	2/1/2018	\$ 2,265,000	\$ 527,000
Total				<u>\$ 2,265,000</u>	<u>\$ 527,000</u>

CHOCTAW COUNTY SCHOOL DISTRICT
Notes to Financial Statements

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 527,000	\$ 12,121	\$ 539,121
Total	\$ 527,000	\$ 12,121	\$ 539,121

This debt will be retired from the MAEP Limited Obligation Bond 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.

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Notes, 1. Series 2004	2.9 - 4.125%	5/28/2004	5/1/2019	\$ 2,000,000	\$ 265,778
Limited Tax Notes, 2. Series 2008	3.97%	9/11/2008	8/1/2023	660,000	527,000
Total				<u>\$ 2,660,000</u>	<u>\$ 792,778</u>

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

1. Three mill notes payable issue of May 28, 2004:

Year Ending June 30	Principal	Interest	Total
2018	\$ 132,000	\$ 10,717	\$ 142,717
2019	133,778	5,569	139,347
Total	\$ 265,778	\$ 16,286	\$ 282,064

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

CHOCTAW COUNTY SCHOOL DISTRICT
Notes to Financial Statements

2. Three mill notes payable issue of September 11, 2008:

Year Ending June 30	Principal	Interest	Total
2018	\$ 26,000	\$ 20,922	\$ 46,922
2019	26,000	19,890	45,890
2020	30,000	18,858	48,858
2021	105,000	17,666	122,666
2022	110,000	13,498	123,498
2023 – 2027	230,000	13,697	243,697
Total	<u>\$ 527,000</u>	<u>\$ 104,531</u>	<u>\$ 631,531</u>

This debt will be retired from the EEF Buildings and Buses Fund.

Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2018	\$ 158,000	\$ 31,639	\$ 189,639
2019	159,778	25,459	185,237
2020	30,000	18,858	48,858
2021	105,000	17,666	122,666
2022	110,000	13,498	123,498
2023 – 2027	230,000	13,697	243,697
Total	<u>\$ 792,778</u>	<u>\$ 120,817</u>	<u>\$ 913,595</u>

CHOCTAW COUNTY SCHOOL DISTRICT
Notes to Financial Statements

C. Obligations under energy efficiency leases

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Energy Efficiency Lease	4.62%	7/30/2008	4/15/2023	\$ 703,094	\$ 335,823
Total				<u>\$ 703,094</u>	<u>\$ 335,823</u>

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 49,722	\$ 15,848	\$ 65,570
2019	52,068	13,501	65,569
2020	54,526	11,044	65,570
2021	57,099	8,471	65,570
2022	59,793	5,777	65,570
2023 – 2027	62,615	2,955	65,570
Total	<u>\$ 335,823</u>	<u>\$ 57,596</u>	<u>\$ 393,419</u>

This debt will be retired from the District Maintenance Fund.

An energy efficiency lease agreement dated June 13, 2008, was executed by and between the district, the lessee, and Sun Trust Equipment Finance and Leasing Corporation, the lessor.

The agreement authorized the borrowing of \$703,094 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the district maintenance fund and not exceed fifteen (15) years.

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

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

M. 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.

CHOCTAW COUNTY SCHOOL DISTRICT
Notes to Financial Statements

Note 7 – Other Commitments

Operating leases:

The school district has several operating leases for copiers and a postage machine.

Lease expenditures for the year ended June 30, 2017, amounted to \$75,854.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2018	\$ 27,900
2019	25,800
2020	11,040
Total	<u>\$ 64,740</u>

Note 8 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

CHOCTAW COUNTY SCHOOL DISTRICT
Notes to Financial Statements

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 \$1,399,380, \$1,385,045 and \$1,307,198, respectively, which equaled the required contributions for each year.

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

At June 30, 2017, the school district reported a liability of \$24,554,682 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 .137465 percent, which was based on a measurement date of June 30, 2016. This was an increase of .003579 percent from its proportionate share used to calculate the June 30, 2016 net pension liability, which was based on a measurement date of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$3,243,139. 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	\$ 684,248	\$ -
Net difference between projected and actual earnings on pension plan investments	1,652,634	-
Changes of assumptions	1,127,423	65,250
Changes in proportion and differences between District contributions and proportionate share of contributions	692,895	72,552
District contributions subsequent to the measurement date	1,399,380	-
Total	\$ <u>5,556,580</u>	\$ <u>137,802</u>

\$1,399,380 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	\$ 1,439,120
2019	1,167,291
2020	927,906
2021	485,081

CHOCTAW COUNTY SCHOOL DISTRICT

Notes to Financial Statements

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:

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

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

Sensitivity of the 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:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 31,484,607	\$ 24,554,682	\$ 18,805,090

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

CHOCTAW COUNTY SCHOOL DISTRICT
Notes to Financial Statements

Note 9 – Sixteenth Section Lands

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

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2018	\$ 43,979
2019	43,823
2020	27,231
2021	24,678
2022	11,079
2023 – 2027	6,001
2028 – 2032	392
2033 – 2037	392
Total	<u>\$ 157,575</u>

Note 10 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
1. To correct prior year errors in recording capital assets.	\$ 22,619
2. To correct prior year errors in recording performance bonds payable.	18,120
Total	<u>\$ 40,739</u>

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

<u>Explanation</u>	<u>Amount</u>
1. To correct prior year errors in recording performance bonds payable- General Fund	\$ 18,120
Total	<u>\$ 18,120</u>

CHOCTAW COUNTY SCHOOL DISTRICT
Notes to Financial Statements

Note 11 – 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 12 – Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 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.

Note 13 - Insurance loss recoveries

The Choctaw County School District received \$20,780 in insurance loss recoveries related to water damage to the Choctaw County High School library during the 2016-2017 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as miscellaneous income.

Note 14 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$3,550,954) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$5,556,580 balance of deferred outflow of resources, at June 30, 2017 will be recognized as an expense and will decrease the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$3,550,954) includes the effect of deferring the recognition of revenues resulting from a deferred inflow from pensions. The \$137,802 balance of deferred inflow of resources at June 30, 2017 will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

CHOCTAW COUNTY SCHOOL DISTRICT
Notes to Financial Statements

Note 15 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Choctaw County School District evaluated the activity of the district through February 5, 2018, (the date the financial statements were available to be issued), and determined that the following subsequent event has occurred requiring disclosure in the notes to financial statements:

- On August 3, 2017 the board approved the issuance of shortfall notes in the amount of \$180,857 for the 2016-2017 fiscal year with Renasant Bank.

REQUIRED SUPPLEMENTARY INFORMATION

CHOCTAW COUNTY 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	Final		to Final	to Actual
Revenues:					
Local sources	\$ 10,862,658	\$ 10,472,831	\$ 10,674,351	\$ (389,827)	\$ 201,520
Intermediate sources	-	-	10,000	-	10,000
State sources	6,708,710	6,429,702	6,419,702	(279,008)	(10,000)
Federal sources	465,410	176,756	176,756	(288,654)	-
Sixteenth section sources	639,000	154,562	154,562	(484,438)	-
Total Revenues	18,675,778	17,233,851	17,435,371	(1,441,927)	201,520
Expenditures:					
Instruction	7,849,452	7,638,911	7,655,380	210,541	(16,469)
Support services	6,435,795	5,808,809	5,219,371	626,986	589,438
Sixteenth section	5,000	33,916	33,916	(28,916)	-
Facilities acquisition and construction	260,000	8,204	394,324	251,796	(386,120)
Debt service:					
Principal	45,342	47,481	47,481	(2,139)	-
Interest	20,228	18,089	18,089	2,139	-
Total Expenditures	14,615,817	13,555,410	13,368,561	1,060,407	186,849
Excess (Deficiency) of Revenues over (under) Expenditures	4,059,961	3,678,441	4,066,810	(381,520)	388,369
Other Financing Sources (Uses):					
Insurance recovery	-	20,780	20,780	20,780	-
Sale of transportation equipment	5,000	2,300	2,300	(2,700)	-
Operating transfers in	1,282,714	1,261,167	13,081	(21,547)	(1,248,086)
Operating transfers out	(4,945,562)	(6,847,042)	(5,599,871)	(1,901,480)	1,247,171
Total Other Financing Sources (Uses)	(3,657,848)	(5,562,795)	(5,563,710)	(1,904,947)	(915)
Net Change in Fund Balances	402,113	(1,884,354)	(1,496,900)	(2,286,467)	387,454
Fund Balances:					
July 1, 2016, as previously reported	8,294,592	8,120,222	8,091,885	(174,370)	(28,337)
Prior period adjustments	-	-	18,120	-	18,120
July 1, 2016, as restated	8,294,592	8,120,222	8,110,005	(174,370)	(10,217)
June 30, 2017	\$ 8,696,705	\$ 6,235,868	\$ 6,613,105	\$ (2,460,837)	\$ 377,237

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

CHOCTAW COUNTY SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
Title I 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:					
Federal sources	\$ 887,616	\$ 689,369	\$ 683,929	\$ (198,247)	\$ (5,440)
Total Revenues	887,616	689,369	683,929	(198,247)	(5,440)
Expenditures:					
Instruction	716,157	570,979	565,539	145,178	5,440
Support services	127,369	99,103	99,103	28,266	-
Noninstructional services	18,134	7,574	7,574	10,560	-
Total Expenditures	861,660	677,656	672,216	184,004	5,440
Excess (Deficiency) of Revenues over (under) Expenditures	25,956	11,713	11,713	(14,243)	-
Other Financing Sources (Uses):					
Operating transfers out	(25,956)	(11,713)	(11,713)	14,243	-
Total Other Financing Sources (Uses)	(25,956)	(11,713)	(11,713)	14,243	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2016	-	-	-	-	-
June 30, 2017	\$ -	\$ -	\$ -	\$ -	\$ -

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

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

	2017	2016	2015
District's proportion of the net pension liability (asset)	\$ 24,554,682	\$ 20,696,136	\$ 15,468,883
District's proportionate share of the net pension liability	0.137465%	0.133886%	0.127440%
District's covered payroll	\$ 8,793,937	\$ 8,299,670	\$ 7,787,244
District's proportionate share of the net pension liability as a percentage of its covered payroll	279.22%	249.36%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.70%	67.21%

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

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

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

CHOCTAW COUNTY 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 contribution	\$ 1,399,380	\$ 1,385,045	\$ 1,307,198
Contribution in relation to the contractually required contribution	1,399,380	1,385,045	1,307,198
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	8,884,952	8,793,937	8,299,670
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%

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

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

CHOCTAW COUNTY SCHOOL DISTRICT
Notes To Required Supplementary Information
For The Year Ended June 30, 2017

Note 1 – Budgetary Comparison Schedule

A. Basis of Presentation

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

B. 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.

Note 2 – Pension Schedules

A. Changes of benefit terms

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.

B. Changes of assumptions

2015:

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

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

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

The 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%

SUPPLEMENTARY INFORMATION

CHOCTAW COUNTY 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	\$ 174,429
National school lunch program	10.555	476,266
Total child nutrition cluster		650,695
Total passed-through Mississippi Department of Education		650,695
Passed-through Choctaw County:		
Schools and Roads - Grants to States	10.665	4,675
Total passed-through Choctaw County		4,675
Total U.S. Department of Agriculture		655,370
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	213,374
Total Federal Communications Commission		213,374
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	683,929
Career and technical education - basic grants to states	84.048	16,075
Rural education	84.358	24,730
Improving teacher quality state grants	84.367	90,429
Subtotal		815,163
Special education cluster:		
Special education - grants to states	84.027	317,836
Special education - preschool grants	84.173	12,262
Total special education cluster		330,098
Total passed-through Mississippi Department of Education		1,145,261
Total U.S. Department of Education		1,145,261
<u>U.S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	77,116
Total passed-through Mississippi Department of Education		77,116
Total U.S. Department of Health and Human Services		77,116
Total for All Federal Awards		\$ 2,091,121

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

CHOCTAW COUNTY 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	\$ 12,225,078	9,004,887	636,197	931,575	1,652,419
Other	4,885,829	1,089,466	258,742	25,405	3,512,216
Total	<u>\$ 17,110,907</u>	<u>10,094,353</u>	<u>894,939</u>	<u>956,980</u>	<u>5,164,635</u>
Total number of students *	<u>1,345</u>				
Cost per student	<u>\$ 12,722</u>	<u>7,505</u>	<u>665</u>	<u>712</u>	<u>3,840</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

CHOCTAW COUNTY SCHOOL DISTRICT
Notes to Supplementary Information
For The Year Ended June 30, 2017

Schedule of Expenditures of Federal Awards

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, includes the federal award activity of Choctaw County School District under programs of the federal and state governments for the year ended June 30, 2017. The schedule presents only a selected portion of the operations of Choctaw County School District and is not intended to, and does not, present the financial position, changes in net position, or cash flows of the District.

Note 2 – Basis of Accounting

The schedule is prepared on the same basis of accounting as Choctaw County School District's financial statements. The District uses the current financial resource measurement focus and the modified accrual basis of accounting.

Note 3 – Program Costs

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Entire program costs, including the District's portion, are more than shown. Such expenditures are recognized following the cost principles contained in the *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to its reimbursements.

Note 4 – Noncash Awards – Commodities

The amount of commodities reported on the schedule of expenditures of federal awards is the value of commodities received by the district and reported under the National School Lunch Program CFDA # 10.555. The value of the commodities received during the fiscal year was \$62,902.

Note 5 – Indirect Cost Rate

The District has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

OTHER INFORMATION

CHOCTAW COUNTY 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	\$ 10,674,351	\$ 9,743,137	\$ 9,315,379	\$ 6,443,587
Intermediate sources	10,000	-	-	-
State sources	6,419,702	6,303,120	5,920,053	6,140,764
Federal sources	176,756	256,623	262,309	189,863
Sixteenth section sources	154,562	229,504	390,444	-
Total Revenues	17,435,371	16,532,384	15,888,185	12,774,214
Expenditures:				
Instruction	7,655,380	7,637,710	7,223,541	6,770,462
Support services	5,219,371	5,215,072	4,397,305	4,612,135
Noninstructional services	-	4,125	37,582	26,287
Sixteenth section	33,916	11,813	66,236	-
Facilities acquisition and construction	394,324	12,337	-	-
Debt service:				
Principal	47,481	45,342	43,298	41,347
Interest	18,089	20,228	22,272	24,223
Total Expenditures	13,368,561	12,946,627	11,790,234	11,474,454
Excess (Deficiency) of Revenues over (under) Expenditures	4,066,810	3,585,757	4,097,951	1,299,760
Other Financing Sources (Uses):				
Bonds and notes issued	-	-	-	111,369
Insurance recovery	20,780	17,479	-	-
Sale of transportation equipment	2,300	5,500	-	-
Operating transfers in	13,081	13,277	18,831	1,037,688
Operating transfers out	(5,599,871)	(4,400,822)	(440,536)	(1,257,708)
Total Other Financing Sources (Uses)	(5,563,710)	(4,364,566)	(421,705)	(108,651)
Net Change in Fund Balances	(1,496,900)	(778,809)	3,676,246	1,191,109
Fund Balances:				
Beginning of period, as previously reported	8,091,885	8,870,694	3,563,490	2,372,381
Prior period adjustments	18,120	-	-	-
Fund reclassification	-	-	1,630,958	-
Beginning of period, as restated	8,110,005	8,870,694	5,194,448	2,372,381
End of Period	\$ 6,613,105	\$ 8,091,885	\$ 8,870,694	\$ 3,563,490

*SOURCE - PRIOR YEAR AUDIT REPORTS

CHOCTAW COUNTY 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	\$ 11,041,575	\$ 10,082,772	\$ 9,665,221	\$ 6,888,726
Intermediate sources	10,000	-	-	-
State sources	7,260,527	7,209,565	6,822,473	7,114,253
Federal sources	2,132,541	2,290,859	2,239,496	2,012,274
Sixteenth section sources	177,420	248,982	449,311	707,101
Total Revenues	20,622,063	19,832,178	19,176,501	16,722,354
Expenditures:				
Instruction	9,012,521	9,178,230	8,747,516	8,113,431
Support services	6,294,641	6,093,821	5,255,138	5,731,684
Noninstructional services	781,309	797,775	837,762	780,598
Sixteenth section	87,179	81,100	73,511	62,249
Facilities acquisition and construction	394,324	12,337	-	-
Debt service:				
Principal	463,481	450,564	544,667	421,347
Interest	76,102	90,742	110,450	121,992
Other	1,350	1,350	1,350	1,250
Total Expenditures	17,110,907	16,705,919	15,570,394	15,232,551
Excess (Deficiency) of Revenues over (under) Expenditures	3,511,156	3,126,259	3,606,107	1,489,803
Other Financing Sources (Uses):				
Bonds and notes issued	-	-	-	111,369
Insurance recovery	20,780	17,479	-	-
Sale of transportation equipment	2,300	5,500	-	-
Operating transfers in	5,612,952	4,414,099	461,767	2,295,396
Other financing sources	-	1,101	-	-
Operating transfers out	(5,612,952)	(4,414,099)	(461,767)	(2,295,396)
Total Other Financing Sources (Uses)	23,080	24,080	-	111,369
Net Change in Fund Balances	3,534,236	3,150,339	3,606,107	1,601,172
Fund Balances:				
Beginning of period, as previously reported	13,394,806	10,255,098	6,647,766	5,043,876
Prior period adjustments	18,120	-	-	-
Beginning of period, as restated	13,412,926	10,255,098	6,647,766	5,043,876
Increase (Decrease) in reserve for inventory	9,302	(10,631)	1,225	2,718
End of Period	\$ 16,956,464	\$ 13,394,806	\$ 10,255,098	\$ 6,647,766

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



WATKINS, WARD and STAFFORD

Professional Limited Liability Company
Certified Public Accountants

James L. Stafford, CPA	Thomas J. Browder, CPA
Harry W. Stevens, CPA	Stephen D. Flake, CPA
S. Keith Winfield, CPA	John N. Russell, CPA
William B. Staggers, CPA	Thomas A. Davis, CPA
Michael W. McCully, CPA	Anita L. Goodrum, CPA
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Robin Y. McCormick, CPA/PFS	Jerry L. Gammel, CPA
J. Randy Scrivner, CPA	Michael C. Knox, CPA
Kimberly S. Caskey, CPA	Clifford P. Stewart, CPA
Susan M. Lummus, CPA	

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

Superintendent and School Board
Choctaw County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Choctaw County School District as of and for the year ended June 30, 2017, and the related notes to financial statements, which collectively comprise the Choctaw County School District's basic financial statements and have issued our report thereon dated February 5, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. (**Finding 2017-001**).

Compliance and Other Matters

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

Choctaw County School District's Response to Finding

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

Purpose of this Report

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

Watkins, Ward and Stafford, PLLC

Louisville, Mississippi
February 5, 2018

Watkins Ward and Stafford, PLLC



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

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

To the Superintendent and School Board
Choctaw County School District

Report on Compliance for Each Major Federal Program

We have audited the Choctaw County 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 Choctaw County School District's major federal program for the year ended June 30, 2017. Choctaw County School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

Purpose of this Report

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

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi
February 5, 2018

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

INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

To the Superintendent and School Board
Choctaw County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Choctaw County School District as of and for the year ended June 30, 2017, which collectively comprise Choctaw County School District's basic financial statements and have issued our report thereon dated February 5, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

1. School District Personnel Should Be Bonded for the Statutorily Required Amount with the Bond Recorded in the Chancery Clerk's Office

Finding

Section 37-6-15 Miss Code Ann. (1972) requires that school board members shall be bonded for at least \$50,000 and those bonds shall be recorded and on file at the chancery clerk's office. During our review of surety bonds we noted one board member's surety bond was not recorded and on file in the chancery clerk's office. We also noted that another board member's surety bond was canceled during the year and a new bond was not issued to take its place before year end.

Recommendation

We recommend the school district comply with Section 37-6-15 Miss Code Ann. (1972) and bond applicable personnel for the appropriate amounts with those bonds being recorded and on file in the chancery clerk's office.

School District Response

We will comply with Section 37-6-15 Miss Code Ann. (1972) and bond applicable personnel for the appropriate amounts with those bonds being recorded and on file in the chancery clerk's office.

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 Choctaw County School District's response to the finding included in this report was not audited and, accordingly, we express no opinion on it.

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

Watkins, Ward and Stafford, PLLC

Watkins Ward and Stafford, PLLC

Louisville, Mississippi
February 5, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Section I: Summary of Auditors' Results

Financial Statements:

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

Federal Awards:

- | | |
|--|--|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? (Yes/No) | No |
| b. Significant deficiency(ies) identified? (Yes/None reported) | None reported |
| 5. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? (Yes/No) | No |
| 7. Identification of major programs: | |
| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
| 84.010 | Title I Grants To Local Educational Agencies |
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. Auditee qualified as low-risk auditee? (yes/no) | Yes |

Section II: Financial Statement Findings

Significant Deficiency Not Considered To Be A Material Weakness

Finding 2017-001 Internal Controls Surrounding Activity Fund Receipts Should Be Strengthened

Criteria: Management is responsible for establishing internal controls over activity funds receipts to ensure that all receipts are correctly recorded and deposited in order to safeguard the assets of the district.

Condition: During our test work performed over collection of activity fund receipts we noted 23 instances where deposits of student activity funds were not being made on a timely basis. School district personnel should deposit all receipts intact within one business day to ensure the district guards against the risk of misappropriation of these receipts.

Effect: Inadequate internal controls surrounding collection of receipts in activity funds could result in misappropriation of assets and improper revenue recognition.

Cause: Not known.

Recommendation

We recommend that the district establish internal controls over activity funds receipts to ensure that all receipts are correctly recorded and deposited intact within one business day in order to safeguard the assets of the district.

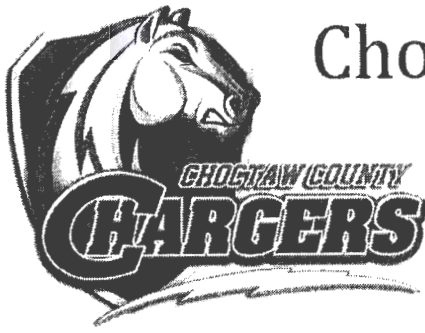
Views of Responsible Officials of the Auditee

We will establish internal controls over activity funds receipts to ensure that all receipts are correctly recorded and deposited intact within one business day in order to safeguard the assets of the district.

Section III: Federal Award Findings and Questioned Costs

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

AUDITEE'S CORRECTIVE ACTION PLAN



Choctaw County School District

P.O. Box 398
Ackerman, Mississippi 39735
Phone (662) 285-4022
Fax (662) 285-4049
www.choctaw.k12.ms.us

Stewart G. Beard, Jr.
Superintendent of Education

Auditee's Corrective Action Plan For the Year Ended June 30, 2017

Finding 2017-001 Internal Controls Surrounding Activity Fund Receipts Should be strengthened:

District Response:

A. What corrective action will be taken? We isolated this issue to one area and it involved the gates associated with events such as ballgames, etc. We discovered that the designated employee assigned to this duty was delaying the pick-up, the verification, and the deposit of these funds for reasons of convenience, thinking that they were safe locked in the bank vault until picked up. We had a meeting to discuss the timeliness issue and a clear understanding resulted. We have all ballgames listed and the designated employee works these bags with an assistant the day following the event. If she is not available, she is to contact the Business Manager to handle this process to keep this important function in compliance.

B. Who is responsible? The primary responsibility for this will be with Fran McGee, Secretary, and then in her absence the Business Manager, Kenny Clark.

C. When will the plan be implemented? Immediately

Sincerely,

Kenny Clark, Business Manager