KOSCIUSKO SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2017

Charles L. Shivers, CPA, LLC
Ridgeland, MS

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Kosciusko School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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 Kosciusko 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, schedule of the district's proportionate share of the net pension liability and schedule of district contributions 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The accompanying Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my 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, I do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated July 6, 2018, on my consideration of the Kosciusko School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Kosciusko School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kosciusko School District's internal control over financial reporting and compliance.

Charles L Shivers

Charles L. Shivers, CPA, LLC
Ridgeland, MS
July 6, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

- Total net position for 2017 decreased $2,473,401, including a prior period adjustment of ($7,257), which represents a 54% decrease from fiscal year 2016. Total net position for 2016 increased $311,834, which represents a 7% increase from fiscal year 2015.

- General revenues amounted to $16,675,322 and $15,917,655, or 81% and 82% 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 $3,854,445, or 19% of total revenues for 2017, and $3,421,857, or 18% of total revenues for 2016.

- The District had $22,995,911 and $19,027,678 in expenses for fiscal years 2017 and 2016; only $3,854,445 for 2017 and $3,421,857 for 2016 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of $16,675,322 for 2017 were not adequate to provide for these programs. General revenues of $15,917,655 for 2016 were adequate to provide for these programs.

- Among major funds, the General Fund had $16,754,798 in revenues and $16,159,314 in expenditures for 2017, and $15,573,904 in revenues and $15,162,279 in expenditures in 2016. The General Fund's fund balance increased by $542,087, including a prior period adjustment of $3,090 from 2016 to 2017 and increased by $411,375 from 2015 to 2016.

- Capital assets, net of accumulated depreciation, increased by $177,530 for 2017 and decreased by $50,114 for 2016. The increase for 2017 was due primarily to completed construction.

- Long-term debt decreased by $334,325 for 2017 and decreased by $377,927 for 2016. This decrease for 2017 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by $31,675 for 2017 and decreased by $18,927 for 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The Statement of Net Position presents information on all the District's nonfiduciary assets, deferred outflows, 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.

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 each additional major special revenue fund as required by the Governmental Accounting Standards Board.

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $2,067,102 as of June 30, 2017.

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

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

Table 1
Condensed Statement of Net Position

	June 30, 2017	June 30, 2016	Percentage Change
Current assets	$ 13,737,837	$ 13,286,194	3.40 %
Restricted assets	2,895,111	2,505,705	15.54 %
Capital assets, net	12,262,308	12,084,778	1.47 %
Total assets	**28,895,256**	**27,876,677**	**3.65 %**
Deferred outflows of resources	**6,737,978**	**3,641,850**	**85.02 %**
Current liabilities	112,451	110,339	1.91 %
Long-term debt outstanding	2,357,030	2,691,355	(12.42) %
Net pension liability	31,037,874	23,667,787	31.14 %
Total liabilities	**33,507,355**	**26,469,481**	**26.59 %**
Deferred inflows of resources	**58,777**	**508,543**	**(88.44) %**
Net position:			
Net investment in capital assets	12,167,308	11,684,778	4.13 %
Restricted	2,650,675	2,836,849	(6.56) %
Unrestricted	(12,750,881)	(9,981,124)	(27.75) %
Total net position	**$ 2,067,102**	**$ 4,540,503**	**(54.47) %**

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)	$(12,750,881)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	24,358,673
Unrestricted net position, exclusive of the net pension liability effect	$ 11,607,792

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 $177,530.
- The principal retirement of $366,000 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2017 and June 30, 2016 were $20,529,767 and $19,339,512, respectively. The total cost of all programs and services was $22,995,911 for 2017 and $19,027,678 for 2016.

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

Table 2
Changes in Net Position

	Year Ended June 30, 2017	Year Ended June 30, 2016	Percentage Change
Revenues:			
Program revenues:			
Charges for services	$ 1,020,081	$ 590,372	72.79 %
Operating grants and contributions	2,834,364	2,831,485	0.10 %
General revenues:			
Property taxes	4,700,359	4,503,259	4.38 %
Grants and contributions not restricted	11,574,236	11,114,286	4.14 %
Investment earnings	63,722	142,255	(55.21) %
Sixteenth section sources	337,005	154,683	117.87 %
Other	0	3,172	(100.00) %
Total revenues	**20,529,767**	**19,339,512**	**6.15 %**
Expenses:			
Instruction	10,475,069	10,103,045	3.68 %
Support services	5,584,865	5,211,911	7.16 %
Non-instructional	1,205,838	1,263,883	(4.59) %
Sixteenth section	41,073	42,563	(3.50) %
Pension expense	5,503,554	2,303,280	138.94 %
Interest on long-term liabilities	185,512	102,996	80.12 %
Total expenses	**22,995,911**	**19,027,678**	**20.86 %**
Increase (Decrease) in net position	**(2,466,144)**	**311,834**	**(890.85) %**
Net Position, July 1, as previously reported	**4,540,503**	**4,228,669**	7.37 %
Prior Period Adjustment	**(7,257)**	**0**	N/A
Net Position, July 1, as restated	**4,533,246**	**4,228,669**	**7.20 %**
Net Position, June 30	**$ 2,067,102**	**$ 4,540,503**	**(54.47) %**

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
	2017	2016	Change
Instruction	$ 10,475,069	$ 10,103,045	3.68 %
Support services	5,584,865	5,211,911	7.16 %
Non-instructional	1,205,838	1,263,883	(4.59) %
Sixteenth section	41,073	42,563	(3.50) %
Pension Expense	5,503,554	2,303,280	138.94 %
Interest on long-term liabilities	185,512	102,996	80.12 %
Total expenses	**$ 22,995,911**	**$ 19,027,678**	**20.86 %**

	Net (Expense) Revenue 2017	Net (Expense) Revenue 2016	Percentage Change
Instruction	$ (8,886,544)	$ (8,863,520)	0.26 %
Support services	(4,831,489)	(4,449,313)	8.59 %
Non-instructional	306,706	155,851	96.79 %
Sixteenth section	(41,073)	(42,563)	(3.50) %
Pension Expense	(5,503,554)	(2,303,280)	138.94 %
Interest on long-term liabilities	(185,512)	(102,996)	80.12 %
Total net (expense) revenue	**$ (19,141,466)**	**$ (15,605,821)**	**22.66 %**

- Net cost of governmental activities ($19,141,466 for 2017 and $15,605,821 for 2016) was financed by general revenue, which is primarily made up of property taxes ($4,700,359 for 2017 and $4,503,259 for 2016) and state and federal revenues ($11,574,236 for 2017 and $11,114,286 for 2016). In addition, there was $337,005 and $154,683 in Sixteenth Section sources for 2017 and 2016, respectively.

- Investment earnings amounted to $63,722 for 2017 and $142,255 for 2016.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of $16,607,739, an increase of $835,294, which includes a prior period adjustment of ($7,257) and an increase in inventory of $1,749. $13,262,991 or 80% 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 $3,344,748 or 20% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was $542,087, which includes a prior period adjustment of $3,090. The fund balance of Other Governmental Funds showed an increase in the amount of $224,455, which includes a prior period adjustment of ($10,347) and an increase in reserve for inventory of $1,749. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Title I Fund	no increase or decrease
Special Education Fund	no increase or decrease
Three Mill Notes Retirement Fund	$ 68,752

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 major special revenue fund(s) is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2017, the District's total capital assets were $20,693,810, including land, school buildings, building improvements, improvements other than buildings, buses, other school vehicles and furniture and equipment. This amount represents an increase of $584,566 from 2016. Total accumulated depreciation as of June 30, 2017, was $8,431,502, and total depreciation expense for the year was $425,532, resulting in total net capital assets of $12,262,308.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2017	June 30, 2016	Percentage Change
Land	$ 402,877	$ 402,877	0.00 %
Construction in Progress	0	160,323	(100.00) %
Buildings	11,025,340	10,622,027	3.80 %
Building improvements	83,099	89,254	(6.90) %
Improvements other than buildings	12,222	13,778	(11.29) %
Mobile equipment	515,300	568,504	(9.36) %
Furniture and equipment	223,470	228,015	(1.99) %
Total	**$ 12,262,308**	**$ 12,084,778**	**1.47 %**

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

Debt Administration. At June 30, 2017, the District had $2,357,030 in outstanding long-term debt, of which $166,002 is due within one year. The liability for compensated absences increased $31,675 from the prior year.

Table 5
Outstanding Long-Term Debt

	June 30, 2017	June 30, 2016	Percentage Change
Limited obligation refunding bonds payable	95,000	400,000	(76.25) %
Three mill notes payable	287,000	348,000	(17.53) %
Qualified school construction bonds payable	1,850,000	1,850,000	0.00 %
Compensated absences payable	125,030	93,355	33.93 %
Total	**$ 2,357,030**	**$ 2,691,355**	**(12.42) %**

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

CURRENT ISSUES

The Kosciusko 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.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Kosciusko School District, 229 West Washington Street, Kosciusko, Mississippi 39090.

BASIC FINANCIAL STATEMENTS

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KOSCIUSKO SCHOOL DISTRICT
Statement of Net Position
June 30, 2017

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	$ 12,995,789
Due from other governments	700,428
Other receivables, net	20,346
Inventories	21,274
Restricted assets (Note 4)	2,895,111
Non-depreciable capital assets (Note 5)	402,877
Depreciable capital assets, net (Note 5)	11,859,431
Total Assets	28,895,256
Deferred Outflows of Resources	
Deferred outflow - pensions (Note 7)	6,737,978
Total Deferred Outflows of Resources	6,737,978
Liabilities	
Accounts payable and accrued liabilities	25,209
Interest payable on long-term liabilities	87,242
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	95,000
Non-capital related liabilities	71,002
Long-term liabilities (Due beyond one year) (Note 6)	
Non-capital related liabilities	2,191,028
Net pension liability (Note 7)	31,037,874
Total Liabilities	33,507,355
Deferred Inflows of Resources	
Deferred inflows - pensions (Note 7)	58,777
Total Deferred Inflows of Resources	58,777
Net Position	
Net investment in capital assets	12,167,308
Restricted net position	
Expendable	
School-based activities	892,166
Debt service	1,337,614
Forestry improvements	116,418
Unemployment benefits	60,579
Non-expendable	
Sixteenth section	243,898
Unrestricted	(12,750,881)
Total Net Position	$ 2,067,102

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

KOSCIUSKO SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2017

Exhibit B

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
Functions / Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction	$ 10,475,069	767,328	821,197	(8,886,544)
Support services	5,584,865		753,376	(4,831,489)
Non-instructional	1,205,838	252,753	1,259,791	306,706
Sixteenth section	41,073			(41,073)
Pension expense	5,503,554			(5,503,554)
Interest on long-term liabilities	185,512			(185,512)
Total Governmental Activities	22,995,911	1,020,081	2,834,364	(19,141,466)
General Revenues				
Taxes				
General purpose levies				4,470,219
Debt purpose levies				230,140
Unrestricted grants and contributions				
State				11,393,919
Federal				180,317
Unrestricted investment earnings				63,722
Sixteenth section sources				337,005
Total General Revenues				16,675,322
Changes in Net Position				(2,466,144)
Net Position - Beginning, as previously reported				4,540,503
Prior Period Adjustments (Note 15)				(7,257)
Net Position - Beginning - as restated				4,533,246
Net Position - Ending				$ 2,067,102

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

KOSCIUSKO SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2017

Exhibit C

	Major Funds					
	General Fund	Title I Fund	Special Education Fund	Three Mill Notes Retirement Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents (Note 2)	$ 12,995,789				1,428,915	14,424,704
Investments (Note 2)				1,300,383	165,813	1,466,196
Due from other governments	158,682	106,257	193,982	2,838	238,669	700,428
Due from other funds (Note 3)	492,385					492,385
Inventories					21,274	21,274
Total Assets	13,646,856	106,257	193,982	1,303,221	1,854,671	17,104,987
Liabilities and Fund Balances						
Liabilities						
Accounts payable & accrued liabilities	25,209					25,209
Due to other funds (Note 3)		106,257	193,982	102,302	69,498	472,039
Total Liabilities	25,209	106,257	193,982	102,302	69,498	497,248
Fund Balances						
Nonspendable						
Inventory					21,274	21,274
Permanent fund principal					243,898	243,898
Restricted						
Debt service				1,200,919	223,937	1,424,856
Forestry improvements					116,418	116,418
Unemployment benefits					60,579	60,579
Grant activities					870,892	870,892
Assigned						
School activities	22,317					22,317
Alternative school	336,339					336,339
Upper elementary renovations					245,201	245,201
Other purposes					2,974	2,974
Unassigned	13,262,991					13,262,991
Total Fund Balances	13,621,647	0	0	1,200,919	1,785,173	16,607,739
Total Liabilities and Fund Balances	$ 13,646,856	106,257	193,982	1,303,221	1,854,671	17,104,987

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

KOSCIUSKO SCHOOL DISTRICT

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

June 30, 2017

Exhibit C-1

		Amount
Total Fund Balance - Governmental Funds		$ 16,607,739
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Land	402,877	
Buildings	16,939,440	
Building improvements	153,885	
Improvement other than buildings	38,892	
Mobile equipment	2,293,967	
Furniture and equipment	864,749	
Accumulated depreciation	(8,431,502)	12,262,308
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:		
Net pension liability		(31,037,874)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pensions	6,737,978	
Deferred inflows of resources related to pensions	(58,777)	6,679,201
Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
Limited obligation bonds payable	(95,000)	
Limited tax notes payable	(287,000)	
Note Qualified school construction bonds	(1,850,000)	
Compensated absences	(125,030)	
Accrued interest payable	(87,242)	(2,444,272)
Total Net Position - Governmental Activities		$ 2,067,102

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

KOSCIUSKO SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2017

Exhibit D

	Major Funds					
	General Fund	Title I Fund	Special Education Fund	Three Mill Notes Retirement Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Local sources	$ 5,295,655			158,593	337,382	5,791,630
State sources	11,070,428				490,101	11,560,529
Federal sources	91,866	789,306	504,568	88,451	1,366,412	2,840,603
Sixteenth section sources	296,849				40,156	337,005
Total Revenues	16,754,798	789,306	504,568	247,044	2,234,051	20,529,767
Expenditures						
Instruction	10,271,483	560,328	165,269		267,906	11,264,986
Support services	5,327,229	182,189	330,522		125,385	5,965,325
Noninstructional services	2,884	37,489			1,291,357	1,331,730
Sixteenth section	31,078				9,995	41,073
Facilities acquisition and construction	526,640					526,640
Debt service						
Principal (Note 6)					366,000	366,000
Interest				173,507	9,513	183,020
Other				4,785	1,350	6,135
Total Expenditures	16,159,314	780,006	495,791	178,292	2,071,506	19,684,909
Excess (Deficiency) of Revenues Over (Under) Expenditures	595,484	9,300	8,777	68,752	162,545	844,858
Other Financing Sources (Uses)						
Operating transfers in (Note 3)	43,077				95,508	138,585
Operating transfers out (Note 3)	(95,508)	(9,300)	(8,777)		(25,000)	(138,585)
Other financing uses	(4,056)					(4,056)
Total Other Financing Sources (Uses)	(56,487)	(9,300)	(8,777)	0	70,508	(4,056)
Net Change in Fund Balances	538,997	0	0	68,752	233,053	840,802
Fund Balances						
July 1, 2016, as previously reported	13,079,560	0	0	1,132,167	1,560,718	15,772,445
Prior period adjustments (Note 15)	3,090				(10,347)	(7,257)
July 1, 2016, as restated	13,082,650	0	0	1,132,167	1,550,371	15,765,188
Increase in reserve for inventory					1,749	1,749
June 30, 2017	$ 13,621,647	0	0	1,200,919	1,785,173	16,607,739

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

KOSCIUSKO SCHOOL DISTRICT

Exhibit D-1

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

		Amount
Net Change in Fund Balance - Governmental Funds		$ 840,802
Amounts reported for governmental activities in the Statement of Activities are different because:		
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, those amounts are:		
Capital outlay	603,249	
Depreciation expense	(425,532)	177,717
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 asset sold.		(187)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
Payments of debt principal	366,000	
Accrued interest payable	3,643	369,643
Reconciling items applicable to pension liability and related accounts:		
Pension contributions made subsequent to the measurement date	1,679,361	
Pension expense for the current year	(5,503,554)	(3,824,193)
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 the governmental funds. These activities include:		
Change in compensated absences	(31,675)	
Change in inventory reserve	1,749	(29,926)
Changes in Net Position of Governmental Activities		$ (2,466,144)

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

KOSCIUSKO SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2017

Exhibit E

		Agency Funds
Assets		
Cash and cash equivalents (Note 2)	$	807,604
Total Assets		807,604
Liabilities		
Accounts payable and accrued liabilities		748,889
Due to other funds (Note 3)		20,346
Due to student clubs		38,351
Other payables		18
Total Liabilities	$	807,604

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

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Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Kosciusko since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

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

B. Government-wide and Fund Financial Statements

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

The Statement of Net Position presents the District's non-fiduciary assets, 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.

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 Special Revenue Fund is used to account for the Federal funds whose use is restricted for services associated with educationally deprived students.

Special Education Fund - This special revenue fund is financed with federal funds and is used to account for the activities associated with providing special education students with appropriate services.

Three Mill Notes Retirement Fund - This debt service fund is funded with ad valorem taxes and will be used to retire the Qualified School Construction Bonds.

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 District's fiduciary funds include the following:

Payroll Clearing Fund - This fund is used as a clearing account for payroll and payroll related transactions.

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

Student Club Accounts - These funds are used to account for the transaction of student clubs.

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.

FIDUCIARY FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired. Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

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 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 estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	$ 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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows are directly related to pension reporting.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows are directly related to pension reporting. See Note 1, E, 10 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

In the government-wide financial statements, outstanding debt is reported as liabilities. 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 documented in the board minutes of the school board. Currently there is no committed fund balance for this school district.

Assigned fund balance includes amounts that are constrained by the 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 of education and/or the business manager pursuant to authorization established by the school board.

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

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

It is the policy of the School District to maintain a minimum fund balance in the General Fund that is not less than 8% of the revenues of the General Fund.

Note 2 – Cash and Cash Equivalents and Investments

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

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

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

Investment income of less than $100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was $14,424,704 and $807,604, respectively.

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

Investments

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

Investment Type	Rating	Maturities (in years)		Fair Value
Federated US Treasury Cash	AAAm	less than 1	$	165,813
US Treasury SLGS Deposit	AAA	less than 1		1,291,211
Money Market Funds	AAA	less than 1		9,172
Total			$	1,466,196

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: Investments of $1,466,196 are valued using quoted market prices (Level 1 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.

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	Major fund - Title I Fund	$	106,257
	Major fund - Special Education Fund		193,982
	Major fund - Three Mill Note Retirement		102,302
	Other governmental funds		69,498
	Fiduciary funds		20,346
Total		$	492,385

The purpose of the more significant inter-fund loans was to eliminate deficit cash balances as part of the normal year-end closing adjustments. The inter-fund loan associated with the Fiduciary Funds represents the accumulation workers compensation insurance which will be paid from the General Fund.

B. Inter-fund Transfers

Transfers Out	Transfers In		Amount
General Fund	Other governmental funds	$	95,508
Major fund - Title I Fund	General Fund		9,300
Major fund - Special Education Fund	General Fund		8,777
Other governmental funds	General Fund		25,000
Total		$	138,585

The transfer out of the General Fund was for the purpose of funding the vocational program in the Other Governmental Funds. The transfer from the Title I Fund, Special Education and Other Governmental Funds was for indirect cost transfers to the General Fund.

Note 4 – Restricted Assets

The restricted assets of $2,895,111 represent the investment balance of the Qualified School Construction Bond Fund and the MAEP Debt Service Funds of $1,300,383 and $165,813, respectively which are legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets also consist of cash totaling $1,428,915 of various funds which are legally restricted and may not be used for purposes that support the district's programs.

Note 5 – Capital Assets

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

		Balance 7/1/2016	Increases	Decreases	Completed Construction	Balance 6/30/2017
Governmental Activities:						
Non-depreciable capital assets:						
Land	$	402,877				402,877
Construction-in-progress		160,323	526,640		(686,963)	0
Total non-depreciable capital assets		563,200	526,640	0	(686,963)	402,877
Depreciable capital assets:						
Buildings		16,252,477			686,963	16,939,440
Building improvements		153,885				153,885
Improvements other than buildings		38,892				38,892
Mobile equipment		2,272,337	21,630			2,293,967
Furniture and equipment		828,453	54,979	(18,683)		864,749
Total depreciable capital assets		19,546,044	76,609	(18,683)	686,963	20,290,933
Less accumulated depreciation for:						
Buildings		5,630,450	283,650			5,914,100
Building improvements		64,631	6,155			70,786
Improvements other than buildings		25,114	1,556			26,670
Mobile equipment		1,703,833	74,834			1,778,667
Furniture and equipment		600,438	59,337	(18,496)		641,279
Total accumulated depreciation		8,024,466	425,532	(18,496)	0	8,431,502
Total depreciable capital assets, net		11,521,578	(348,923)	(187)	686,963	11,859,431
Governmental activities capital assets, net	$	12,084,778	177,717	(187)	0	12,262,308

Depreciation expense was charged to the following governmental functions:

		Amount
Governmental activities:		
Instruction	$	252,786
Support services		128,953
Non-instructional		43,793
Total depreciation expense - Governmental activities	$	425,532

Construction in progress is composed of:

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 refunding bonds payable	$ 400,000		305,000	95,000	95,000
B. Three mill notes payable	348,000		61,000	287,000	61,000
C. Qualified school construction bonds payable	1,850,000			1,850,000	0
D. Compensated absences payable	93,355	31,675		125,030	10,002
Total	$ 2,691,355	31,675	366,000	2,357,030	166,002

A. Limited obligation refunding bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited obligation refunding bonds, 2010	2.25	10/1/2010	8/1/2017	$ 17,200,000	95,000

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

Year Ending June 30	Principal	Interest	Total
2018	$ 95,000	1,068	96,068

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

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

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill notes, 2014	1.55	8/1/2014	8/1/2020	$ 407,000	287,000

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

Year Ending June 30		Principal	Interest	Total
2018	$	61,000	4,448	65,448
2019		64,000	3,503	67,503
2020		65,000	2,511	67,511
2021		97,000	1,953	98,953
Total	$	287,000	12,415	299,415

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

C. **Qualified school construction bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bonds, 2010	5.3	10/1/2010	8/1/2020	$ 1,850,000	1,850,000

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

Year Ending June 30		Principal	Interest	Total
2018	$		98,050	98,050
2019			98,050	98,050
2020			98,050	98,050
2021		1,850,000	98,050	1,948,050
Total	$	1,850,000	392,200	2,242,200

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

D. **Compensated absences payable**

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

Note 7 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2017 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2017, 2016 and 2015 were $1,679,361, $1,750,746 and $1,506,559, 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 $31,037,874 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 .173760 percent, which was based on a measurement date of June 30, 2016. This was an increase .020650 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 $5,503,554. 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	$	616,957	0
Net difference between projected and actual earnings on pension plan investments		1,682,130	0
Changes of assumptions		1,042,734	0
Changes in proportion and differences between District contributions and proportionate share of contributions		1,716,796	58,777
District contributions subsequent to the measurement date		1,679,361	0
Total	$	6,737,978	58,777

$1,679,361 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	$	1,683,615
2019		1,683,615
2020		1,212,078
2021		420,533

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

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

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

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

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

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

		1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	$	39,797,514	31,037,874	23770,213

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

Note 8 – Sixteenth Section Lands

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

Year Ending June 30		Amount
2018	$	45,825
2019		45,825
2020		45,825
2021		45,825
2022		44,545
2023 – 2027		153,841
2028 – 2032		108,400
2033 – 2037		45,740
Thereafter		8,850
Total	$	544,676

Note 9 – Contingencies

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

Note 10 – Risk Management

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

Note 11 – Qualified School Construction Bonds

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

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. For the year ended June 30, 2017, the subsidy payments amounted to $88,451.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2017 was $1,300,383. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30		Amount
2018	$	189,000
2019		189,000
2020		189,000
Total	$	567,000

Note 12 – Vocational School Consortium

The school district entered into a Vocational Educational Agreement dated February 14, 1978 creating the Vocational-Technical Training Center. This center was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The center includes the Kosciusko School District and the Attala County School District.

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

The Attala County School district has been designated as the fiscal agent for the Vocational-Technical Training Center, and the operations of the consortium are included in its financial statements.

Note 13 – Alternative School Consortium

The school district entered into an Alternative School Agreement dated September14, 1993 creating the Kosciusko-Attala County Alternative Education Cooperative. This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the Kosciusko School District, and the Attala County School district.

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

The Kosciusko School district has been designated as the lead school district for the Kosciusko-Attala County Alternative Education Cooperative, and the operations of the consortium are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balance is presented to detail the financial activity of the Kosciusko-Attala County Alternative Education Cooperative.

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2017

Revenues		
Local sources:		
Tuition from other LEA's within the state:		
Attala County School District	$	67,630
Interest		965
Total local sources		68,595
State sources		157,299
Total Revenues		225,894
Expenditures		
Salaries		136,485
Employee benefits		50,056
Purchased property services		18,931
Supplies		13,335
Property		655
Total Expenditures		219,462
Excess (Deficiency) of Revenues Over (Under) Expenditures		6,432
Fund Balance:		
July 1, 2016		328,272
June 30, 2017	$	334,704

Note 14 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of ($12,750,881) includes the effect of deferring the recognition of expenses and revenue associated with the net pension liability and related account balances.

Note 15 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation		Amount
Error correction - prior year receivable current year revenue	$	(7,257)

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

Fund	Explanation		Amount
General Fund	Error correction - prior year receivable current year		3,090
Other governmental funds	Error correction - prior year receivable current year		(10,347)
Total		$	(7,257)

Note 16 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the School District evaluated the activity of the district through July 6, 2018, the date the financial statements were available to be issued, and determined that the following subsequent event have occurred requiring disclosure in the notes to the financial statements:

On July 18, 2017, the school district borrowed $1,500,000 in Three Mill Notes at 2.54% for a period of twelve years. The proceeds will be used for security upgrades to school buildings and facilities. The debt will be retired with ad valorem taxes levied in accordance with state law.

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REQUIRED SUPPLEMENTARY INFORMATION

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KOSCIUSKO SCHOOL DISTRICT
Budgetary Comparison Schedule for the General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues					
Local sources	$ 5,307,795	5,295,655	5,295,655	(12,140)	0
State sources	10,197,384	11,070,428	11,070,428	873,044	0
Federal sources	107,500	91,866	91,866	(15,634)	0
Sixteenth section sources	65,582	296,849	296,849	231,267	0
Total Revenues	15,678,261	16,754,798	16,754,798	1,076,537	0
Expenditures					
Instruction	9,764,977	10,271,483	10,271,483	(506,506)	0
Support services	4,683,425	5,327,229	5,327,229	(643,804)	0
Noninstructional services	9,902	2,884	2,884	7,018	0
Sixteenth section	16,150	31,078	31,078	(14,928)	0
Facilities acquisition and construction	670,000	526,640	526,640	143,360	0
Total Expenditures	15,144,454	16,159,314	16,159,314	(1,014,860)	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	533,807	595,484	595,484	61,677	0
Other Financing Sources (Uses)					
Operating transfers in	110,741	43,077	43,077	(67,664)	0
Operating transfers out	(82,382)	(95,508)	(95,508)	(13,126)	0
Other financing uses	0	(4,056)	(4,056)	(4,056)	0
Total Other Financing Sources (Uses)	28,359	(56,487)	(56,487)	(84,846)	0
Net Change in Fund Balances			538,997		
Fund Balances					
July 1, 2016, as previously reported			13,079,560		
Prior period adjustments			3,090		
July 1, 2016, as restated			13,082,650		
June 30, 2017			$ 13,621,647		

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

KOSCIUSKO SCHOOL DISTRICT
Budgetary Comparison Schedule for the Major Special Revenue Fund - Title I Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues					
Federal sources	$ 1,029,657	1,029,657	789,306	0	(240,351)
Total Revenues	1,029,657	1,029,657	789,306	0	(240,351)
Expenditures					
Instruction	732,843	686,804	560,328	46,039	126,476
Support services	240,658	280,777	182,189	(40,119)	98,588
Noninstructional services	43,301	48,359	37,489	(5,058)	10,870
Total Expenditures	1,016,802	1,015,940	780,006	862	235,934
Excess (Deficiency) of Revenues Over (Under) Expenditures	12,855	13,717	9,300	862	(4,417)
Other Financing Sources (Uses)					
Operating transfers out	(12,853)	(14,349)	(9,300)	(1,496)	5,049
Total Other Financing Sources (Uses)	(12,853)	(14,349)	(9,300)	(1,496)	5,049
Net Change in Fund Balances			0		
Fund Balances					
July 1, 2016			0		
June 30, 2017			$ 0		

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

KOSCIUSKO SCHOOL DISTRICT
Budgetary Comparison Schedule for the Major Special Revenue Fund - Special Education Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues					
Federal sources	$ 738,838	738,838	504,568	0	(234,270)
Total Revenues	738,838	738,838	504,568	0	(234,270)
Expenditures					
Instruction	227,117	188,095	165,269	39,022	22,826
Support services	494,129	452,207	330,522	41,922	121,685
Total Expenditures	721,246	640,302	495,791	80,944	144,511
Excess (Deficiency) of Revenues Over (Under) Expenditures	17,592	98,536	8,777	80,944	(89,759)
Other Financing Sources (Uses)					
Operating transfers out	(17,590)	17,590	(8,777)	35,180	(26,367)
Total Other Financing Sources (Uses)	(17,590)	17,590	(8,777)	35,180	(26,367)
Net Change in Fund Balances			0		
Fund Balances					
July 1, 2016			0		
June 30, 2017			$ 0		

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

KOSCIUSKO SCHOOL DISTRICT
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)	0.173760%	0.153110%	0.160931%
District's proportionate share of the net pension liability (asset)	$ 31,037,874	23,667,787	19,421,070
District's covered payroll	$ 11,115,848	9,565,454	9,335,499
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	279.22%	247.43%	208.03%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.70%	67.21%

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

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in the 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.

KOSCIUSKO SCHOOL DISTRICT
Schedule of District Contributions
PERS
Last 10 Fiscal Years

	2017	2016	2015
Contractually required contribution	$ 1,679,361	1,750,746	1,506,559
Contributions in relation to the contractually required contribution	1,679,361	1,750,746	1,506,559
Contribution deficiency (excess)	0	0	0
District's covered payroll	10,662,610	11,115,848	9,565,454
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in the 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.

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) Changes of assumptions

2015:

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

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

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

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

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

2016:

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

(2) Changes in benefit provisions

2016:

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

SUPPLEMENTARY INFORMATION

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KOSCIUSKO SCHOOL DISTRICT
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.S. Department of Agriculture		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	$ 530,463
National school lunch program	10.555	880,824
Total child nutrition cluster		1,411,287
Total passed-through Mississippi Department of Education		1,411,287
Total U.S. Department of Agriculture		1,411,287
U.S. Department of Education		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	789,306
Rural education	84.358	48,964
Supporting effective instruction - state grants	84.367	34,881
Total		873,151
Special education cluster:		
Special education - grants to states	84.027	504,568
Special education - preschool grants	84.173	35,530
Total special education cluster		540,098
Total passed-through Mississippi Department of Education		1,413,249
Total U.S. Department of Education		1,413,249
Total for All Federal Awards		$ 2,824,536

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

(1) Basis of Presentation

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

(2) Summary of Significant Accounting Policies

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

(3) Indirect Cost Rate

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

KOSCIUSKO SCHOOL DISTRICT
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 Administrative	School Administration	Other
Salaries and fringe benefits	$ 14,489,104	11,567,759	544,968	1,003,612	1,372,765
Other	5,195,805	1,543,441	364,581	8,605	3,279,178
Total	19,684,909	13,111,200	909,549	1,012,217	4,651,943
Total number of students	2,205				
Cost per student	$ 8,927	5,946	412	459	2,110

Notes to the schedule.

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.

Total number of students - the ADA report submission for month 9, which is the final submission for the fiscal year.

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OTHER INFORMATION

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KOSCIUSKO SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years

UNAUDITED

	2017	2016*	2015*	2014*
Revenues				
Local sources	$ 5,295,655	4,692,348	4,606,622	4,777,289
State sources	11,070,428	10,637,266	10,314,809	10,480,427
Federal sources	91,866	104,612	121,303	115,096
Sixteenth section sources	296,849	139,678	123,623	176,943
Total Revenues	16,754,798	15,573,904	15,166,357	15,549,755
Expenditures				
Instruction	10,271,483	9,783,130	9,338,854	8,914,637
Support services	5,327,229	5,198,010	5,073,750	4,980,698
Noninstructional services	2,884	3,592	0	1,901
Sixteenth section	31,078	17,224	16,157	19,318
Facilities acquisition and construction	526,640	160,323	0	0
Debt service				
Principal	0	0	0	122,834
Interest	0	0	0	9,263
Other	0	0	0	1,000
Total Expenditures	16,159,314	15,162,279	14,428,761	14,049,651
Excess (Deficiency) of Revenues Over (Under) Expenditures	595,484	411,625	737,596	1,500,104
Other Financing Sources (Uses)				
Sale of transportation equipment	0	0	1,905	0
Operating transfers in	43,077	42,839	36,397	196,903
Other financing sources	0	13,353	0	0
Operating transfers out	(95,508)	(54,473)	(22,750)	(324,996)
Other financing uses	(4,056)	(1,969)	0	0
Total Other Financing Sources (Uses)	(56,487)	(250)	15,552	(128,093)
Net Change in Fund Balances	538,997	411,375	753,148	1,372,011
Fund Balances				
Beginning of period, as previously reported	13,079,560	12,668,185	11,915,422	10,543,411
Prior period adjustments	3,090	0	(385)	0
Beginning of period, as restated	13,082,650	12,668,185	11,915,037	10,543,411
End of period	$ 13,621,647	13,079,560	12,668,185	11,915,422

* Source - Prior year audit reports.

KOSCIUSKO SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years

UNAUDITED

	2017	2016*	2015*	2014*
Revenues				
Local sources	$ 5,791,630	5,151,343	5,083,889	5,273,810
State sources	11,560,529	11,095,560	10,789,137	10,989,121
Federal sources	2,840,603	2,935,937	2,800,296	2,765,623
Sixteenth section sources	337,005	153,500	124,403	179,047
Total Revenues	20,529,767	19,336,340	18,797,725	19,207,601
Expenditures				
Instruction	11,264,986	10,896,776	10,338,864	9,930,126
Support services	5,965,325	5,838,395	6,347,033	6,868,749
Noninstructional services	1,331,730	1,400,903	1,309,380	1,280,386
Sixteenth section	41,073	42,563	17,090	19,318
Facilities acquisition and construction	526,640	160,323	0	20,816
Debt service				
Principal	366,000	359,000	290,000	480,000
Interest	183,020	103,271	115,188	130,200
Other	6,135	3,163	2,608	2,901
Total Expenditures	19,684,909	18,804,394	18,420,163	18,732,496
Excess (Deficiency) of RevenueS Over (Under) Expenditures	844,858	531,946	377,562	475,105
Other Financing Sources (Uses)				
Proceeds of loans	0	0	407,000	0
Sale of transportation equipment	0	0	1,905	0
Operating transfers in	138,585	97,312	59,147	534,698
Other financing sources	0	13,353	0	0
Operating transfers out	(138,585)	(97,312)	(59,147)	(534,698)
Other financing uses	(4,056)	(10,181)	0	0
Total Other Financing Sources (Uses)	(4,056)	3,172	408,905	0
Net Change in Fund Balances	840,802	535,118	786,467	475,105
Fund Balances				
Beginning of period, as previously reported	15,772,445	15,237,572	14,451,699	13,975,556
Prior period adjustments	(7,257)	0	5,331	0
Beginning of period, as restated	15,765,188	15,237,572	14,457,030	13,975,556
Increase (Decrease) in reserve for inventory	1,749	(245)	(5,925)	1,038
End of period	$ 16,607,739	15,772,445	15,237,572	14,451,699

* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

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

Independent Auditor's Report

Superintendent and School Board
Kosciusko School District

I 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 Kosciusko School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Kosciusko School District's basic financial statements, and have issued my report thereon dated July 6, 2018.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Kosciusko 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kosciusko School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Kosciusko 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kosciusko School District's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

Charles L Shivers

Charles L. Shivers, CPA, LLC
Ridgeland, MS
July 6, 2018

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

Independent Auditor's Report

Superintendent and School Board
Kosciusko School District

Report on Compliance for Each Major Federal Program

I have audited Kosciusko School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Kosciusko School District's major federal programs for the year ended June 30, 2017. Kosciusko School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Kosciusko School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 I 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 Kosciusko School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Kosciusko School District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

My 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. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my 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.

Charles L Shivers

Charles L. Shivers, CPA, LLC
Ridgeland, MS
July 6, 2018

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

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

Superintendent and School Board
Kosciusko School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kosciusko School District as of and for the year ended June 30, 2017, which collectively comprise Kosciusko School District's basic financial statements and have issued my report thereon dated July 6, 2018. I conducted my 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, I 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 my audit and, accordingly, I do not express such an opinion.

The results of my 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 my 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, I 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 my audit and, accordingly, I do not express such an opinion.

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

Charles L Shivers

Charles L. Shivers, CPA, LLC
Ridgeland, MS
July 6, 2018

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Section I: Summary of Auditor's Results

Financial Statements:

1.	Type of auditor's report issued on the basic financial statements:	Unmodified
2.	Noncompliance material to the basic financial statements noted?	No
3.	Internal control over financial reporting:	
	a. Material weaknesses identified?	No
	b. Significant deficiency identified that are not considered to be material weaknesses?	None Reported

Federal Awards:

4.	Type of auditor's report issued on compliance for major federal programs:	Unmodified
5.	Internal control over major programs:	
	a. Material weaknesses identified?	No
	b. Significant deficiency identified that are not considered to be material weaknesses?	None Reported
6.	Any audit finding(s) disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
7.	Federal program identified as major program:	
	Child nutrition cluster	
	CFDA #: 10.553	
	CFDA #: 10.555	
8.	The dollar threshold used to distinguish between type A and type B programs:	$750,000
9.	Auditee qualified as a low-risk auditee?	Yes

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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

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