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NATCHEZ-ADAMS SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2017

NATCHEZ-ADAMS SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Natchez-Adams School District

Report on the Financial Statements

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 7-18, 58, 59, 60, and 61, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the

basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2018, on our consideration of the Natchez-Adams School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Natchez-Adams 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 Natchez-Adams School District's internal control over financial reporting and compliance.

The Millon Group, PLLC

Natchez, Mississippi
April 4, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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NATCHEZ-ADAMS SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

The following discussion and analysis of Natchez-Adams 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 \$1,890,147, including a prior period adjustment of \$1,135,432, which represents a 49.1% decrease from fiscal year 2016. Total net position for 2016 decreased \$649,304, which represents a 21% decrease from fiscal year 2015.
- General revenues amounted to \$31,082,806 and \$29,993,029, or 78% and 77% 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 \$8,612,383, or 22% of total revenues for 2017, and \$9,192,661, or 23% of total revenues for 2016.
- The District had \$42,720,768 and \$39,834,994 in expenses for fiscal years 2017 and 2016; only \$8,612,383 for 2017 and \$9,192,661 for 2016 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$31,082,806 for 2017 and \$29,993,029 for 2016 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$29,677,686 in revenues and \$30,050,742 in expenditures for 2017, and \$28,641,946 in revenues and \$29,022,740 in expenditures in 2016. The General Fund's fund balance decreased by \$680,504 from 2016 to 2017, and decreased by \$849,108 from 2015 to 2016.
- Capital assets, net of accumulated depreciation, increased by \$1,377,300 for 2017 and decreased by \$396,988 for 2016. The increase for 2017 was due to the addition of construction in progress and other improvements, coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$1,066,294 for 2017 and decreased by \$1,025,913 for 2016. This decrease for 2017 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$1,871 for 2017 and increased by \$21,240 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. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$5,677,100 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	\$ 11,306,195	\$ 12,066,309	-6.30 %
Restricted assets	18,976,190	18,986,352	-0.05 %
Capital assets, net	14,207,485	12,830,185	10.73 %
Total assets	44,489,870	43,882,846	1.38 %
 Deferred outflows of resources	 9,488,103	 6,639,884	 42.90 %
Current liabilities	3,909,873	3,686,655	6.05 %
Long-term debt outstanding	373,163	1,851,292	-79.84 %
Net pension liability	54,485,438	45,755,763	19.08 %
Total liabilities	58,768,474	51,293,710	14.57 %
 Deferred inflows of resources	 886,599	 3,015,973	 -70.60 %
 Net position:			
Net investment in capital assets	12,727,485	10,283,891	23.76 %
Restricted	21,623,569	21,505,455	0.55 %
Unrestricted	(40,028,154)	(35,576,299)	12.51 %
Total net position	\$ (5,677,100)	\$ (3,786,953)	49.91 %

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (40,028,154)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	45,883,934
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 5,855,780</u>

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2017 and June 30, 2016 were \$39,695,189 and \$39,185,690, respectively. The total cost of all programs and services was \$42,720,768 for 2017 and \$39,834,994 for 2016.

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

Table 2
Changes in Net Position

	<u>Year Ended June 30, 2017</u>	<u>Year Ended June 30, 2016</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 565,820	\$ 506,881	11.63 %
Operating grants and contributions	8,046,563	8,685,780	(7.36) %
Capital Grants and Contributions	-	-	N/A %
General revenues:			
Property taxes	12,861,883	12,319,918	4.40 %
Grants and contributions not restricted	17,019,269	16,680,060	2.03 %
Investment earnings	18,630	21,660	(13.99) %
Sixteenth section sources	703,142	854,941	(17.76) %
Other	479,882	116,450	312.09 %
Total revenues	<u>39,695,189</u>	<u>39,185,690</u>	1.30 %
Expenses:			
Instruction	15,773,124	17,455,224	(9.64) %
Support services	17,144,459	15,597,932	9.91 %
Non-instructional	2,678,759	2,447,060	9.47 %
Sixteenth section	13,227	31,686	(58.26) %
Pension expense	7,037,500	4,231,401	66.32 %
Interest on long-term liabilities	73,699	71,691	2.80 %
Total expenses	<u>42,720,768</u>	<u>39,834,994</u>	7.24 %
Increase (Decrease) in net position	<u>(3,025,579)</u>	<u>(649,304)</u>	365.97 %
Net Position, July 1, as previously reported	<u>(3,786,953)</u>	<u>(3,137,649)</u>	20.69 %
Prior Period Adjustment	<u>1,135,432</u>	<u>-</u>	N/A %
Net Position, July 1, as restated	<u>(2,651,521)</u>	<u>(3,137,649)</u>	(15.49) %
Net Position, June 30	<u>\$ (5,677,100)</u>	<u>\$ (3,786,953)</u>	49.91 %

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	\$ 15,773,124	\$ 17,455,224	(9.64) %
Support services	17,144,459	15,597,932	9.91 %
Non-instructional	2,678,759	2,447,060	9.47 %
Sixteenth section	13,227	31,686	(58.26) %
Pension Expense	7,037,500	4,231,401	66.32 %
Interest on long-term liabilities	73,699	71,691	2.80 %
Total expenses	\$ 42,720,768	\$ 39,834,994	7.24 %

	Net (Expense) Revenue		Percentage
	2017	2016	Change
Instruction	\$ (10,305,151)	\$ (13,051,878)	(21.04) %
Support services	(17,032,546)	(13,462,792)	26.52 %
Non-instructional	353,738	207,115	70.79 %
Sixteenth section	(13,227)	(31,686)	(58.26) %
Pension Expense	(7,037,500)	(4,231,401)	66.32 %
Interest on long-term liabilities	(73,699)	(71,691)	2.80 %
Total net (expense) revenue	\$ (34,108,385)	\$ (30,642,333)	11.31 %

- Net cost of governmental activities (\$34,108,385 for 2017 and \$30,642,333 for 2016) was financed by general revenue, which is primarily made up of property taxes (\$12,861,883 for 2017 and \$12,319,918 for 2016) and state revenues (\$17,019,269 for 2017 and \$16,680,060 for 2016). In addition, there was \$703,142 and \$854,941 in Sixteenth Section sources for 2017 and 2016, respectively.
- Investment earnings amounted to \$18,630 for 2017 and \$21,660 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 \$27,891,024, a decrease of \$589,486, which includes an increase in inventory of \$20,676 and a prior period adjustment of \$678. \$6,267,455 or 23% 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 \$21,623,543 or 77% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$680,504. The fund balance of Other Governmental Funds showed a decrease in the amount of \$130,384, which includes an increase in reserve for inventory of \$18,466. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
16th Section Interest Fund	\$	226,965
16th Section Principal Fund	\$	(5,563)

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 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 \$31,093,325, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$1,630,590 from 2016, of which \$1,137,838 are prior period corrections. Total accumulated depreciation as of June 30, 2017, was \$16,885,840, and total depreciation expense for the year was \$461,431, resulting in total net capital assets of \$14,207,485.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Land	\$ 2,096,402	\$ 2,003,222	4.65 %
Construction in Progress	382,320	-	N/A %
Buildings	9,421,897	8,672,944	8.64 %
Building improvements	1,681,663	1,772,150	(5.11) %
Improvements other than buildings	244,122	213,526	14.33 %
Mobile equipment	63,542	144,538	(56.04) %
Furniture and equipment	309,229	9,160	3,275.86 %
Leased property under capital leases	8,310	14,645	(43.26) %
Total	<u>\$ 14,207,485</u>	<u>12,830,185</u>	10.73 %

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 \$1,873,163 in outstanding long-term debt, of which \$1,500,000 is due within one year. The liability for compensated absences increased \$1,871 from the prior year.

The District maintains a AA bond rating.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 480,000	\$ 940,000	(48.94) %
Limited obligation bonds payable	1,000,000	1,600,000	(37.50) %
Obligations under capital leases	-	6,294	(100.00) %
Compensated absences payable	393,163	391,292	0.48 %
Total	<u>\$ 1,873,163</u>	<u>2,937,586</u>	(36.23) %

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

CURRENT ISSUES

The Natchez-Adams School District continues its commitment to excellence, both in and out of the classroom. It strives to put its students first in all matters. To that end, the District is actively moving forward to modernize and improve its campuses, and make the District a leader in the education industry.

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 Natchez-Adams School District, 10 Homochitto Street, Natchez, Mississippi 39120.

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FINANCIAL STATEMENTS

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NATCHEZ-ADAMS SCHOOL DISTRICT

Statement of Net Position June 30, 2017

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 8,516,402
Cash with fiscal agents	321,046
Investments	-
Due from other funds (internal balances)	-
Due from other governments	1,974,422
Accrued interest receivable	137,861
Other receivables, net	225,098
Inventories	131,366
Prepaid items	
Restricted assets	18,976,190
Capital assets, non-depreciable:	
Land	2,096,402
Construction in progress	382,320
Capital assets, net of accumulated depreciation:	
Buildings	9,421,897
Building improvements	1,681,663
Improvements other than buildings	244,122
Mobile equipment	63,542
Furniture and equipment	309,229
Leased property under capital leases	8,310
Total Assets	<u>44,489,870</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	9,488,103
Total deferred inflows of resources	<u>9,488,103</u>
Liabilities	
Accounts payable and accrued liabilities	2,391,361
Interest payable on long-term liabilities	18,512
Long-term liabilities, due within one year:	
Capital related liabilities	1,480,000
Non-capital related liabilities	20,000
Long-term liabilities, due beyond one year:	
Capital related liabilities	-
Non-capital related liabilities	373,163
Net pension liability	54,485,438
Total Liabilities	<u>58,768,474</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	886,599
Total deferred inflows of resources	<u>886,599</u>

Net Position

Net investment in capital assets	12,727,485
Restricted for:	
Expendable:	
School-based activities	1,192,551
Debt service	674,220
Capital improvements	
Forestry improvements	63,947
Unemployment benefits	154,154
Non-expendable:	
Sixteenth section	19,204,734
Other	333,963
Unrestricted	(40,028,154)
Total Net Position	<u>\$ (5,677,100)</u>

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

NATCHEZ-ADAMS SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Instruction	\$ 15,773,124	\$ 326,481	\$ 5,141,492	\$ -	\$	(10,305,151)
Support services	17,144,459	-	111,913	-		(17,032,546)
Non-instructional	2,678,759	239,339	2,793,158	-		353,738
Sixteenth section	13,227	-	-	-		(13,227)
Pension expense	7,037,500	-	-	-		(7,037,500)
Interest on long-term liabilities	73,699	-	-	-		(73,699)
Total Governmental Activities	\$ 42,720,768	\$ 565,820	\$ 8,046,563	\$ -	\$	(34,108,385)

General Revenues:

Taxes:

General purpose levies

12,861,883

Unrestricted grants and contributions:

State

17,019,269

Unrestricted investment earnings

18,630

Sixteenth section sources

703,142

Other

479,882

Total General Revenues

31,082,806

Change in Net Position

(3,025,579)

Net Position - Beginning, as previously reported *

(3,786,953)

Prior Period Adjustments

1,135,432

Net Position - Beginning, as restated *

(2,651,521)

Net Position - Ending

\$ (5,677,100)

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

NATCHEZ- ADAMS SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2017

Exhibit C

	Major Funds				
	General Fund	16th Section Interest Fund	16th Section Principal Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 5,801,168	\$ 1,414,414	\$ 668,508	\$ 1,300,820	\$ 9,184,910
Cash with fiscal agents	-	-	-	321,046	321,046
Investments	-	-	18,307,682	-	18,307,682
Due from other governments	430,433	-	-	1,544,061	1,974,494
Accrued interest receivable	26	-	137,835	-	137,861
Other receivables, net	4,412	40,061	6,355	62,450	113,278
Due from other funds	1,471,339	2,144,455	84,354	449,668	4,149,816
Advance to other funds	-	-	202,597	-	202,597
Inventories	84,184	-	-	47,182	131,366
 Total assets	 \$ 7,791,562	 \$ 3,598,930	 \$ 19,407,331	 \$ 3,725,227	 \$ 34,523,050
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,751,969	\$ -	\$ -	\$ 536,219	\$ 2,288,188
Due to other funds	2,858,266	84,354	-	1,198,621	4,141,241
Advances from other funds	202,597	-	-	-	202,597
Total Liabilities	4,812,832	84,354	-	1,734,840	6,632,026
Fund Balances:					
Nonspendable:					
Inventory	84,184	-	-	47,182	131,366
Permanent fund principal	-	-	19,204,734	-	19,204,734
Advances	-	-	202,597	-	202,597
Restricted:					
Debt service	-	-	-	674,220	674,220
Child nutrition	-	-	-	645,715	645,715
Forestry improvement purposes	-	-	-	63,947	63,947
Grant activities	-	-	-	2,726	2,726
Unemployment benefits	-	-	-	154,154	154,154
Assigned:					
School based activities	128,727	-	-	-	128,727
Donations - child nutrition	12,940	-	-	402,443	415,383
Unassigned	2,752,879	3,514,576	-	-	6,267,455
Total Fund Balances	2,978,730	3,514,576	19,407,331	1,990,387	27,891,024
Total Liabilities, deferred inflows of resources and Fund Balances	\$ 7,791,562	\$ 3,598,930	19,407,331	\$ 3,725,227	\$ 34,523,050

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

NATCHEZ-ADAMS SCHOOL DISTRICT

Governmental Funds

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

Exhibit C-1

Total fund balances for governmental funds \$ 27,891,024

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

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Land	\$ 2,096,402	
Construction in progress	382,320	
Buildings	19,955,477	
Building improvements	5,160,541	
Improvements other than buildings	350,619	
Mobile equipment	284,180	
Furniture and equipment	2,834,106	
Leased property under capital leases	29,680	
Accumulated depreciation	<u>(16,885,840)</u>	14,207,485

2. Some of the district's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

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

Net pension liability	(54,485,438)	
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	9,488,103	
Deferred inflows of resources related to pensions	<u>(886,599)</u>	(45,883,934)

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

General obligation bonds	(480,000)	
Limited obligation bonds	(1,000,000)	
Compensated absences	(393,163)	
Accrued interest payable	<u>(18,512)</u>	(1,891,675)

Net Position of governmental activities \$ (5,677,100)

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

NATCHEZ-ADAMS SCHOOL DISTRICT

Governmental Funds

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

Exhibit D

	Major Funds				
	General	16th	16th Section	Other	Total
	Fund	Section	Principal	Governmental	Governmental
	Fund	Interest	Fund	Funds	Funds
Revenues:					
Local sources	\$ 13,613,973	\$ -	\$ -	\$ 332,093	\$ 13,946,066
State sources	15,814,764	-	-	1,795,381	17,610,145
Federal sources	248,949	-	-	7,125,890	7,374,839
Sixteenth section sources	-	343,208	355,844	3,783	702,835
Total Revenues	29,677,686	343,208	355,844	9,257,147	39,633,885
Expenditures:					
Instruction	15,457,298	-	-	3,912,881	19,370,179
Support services	14,559,293	-	-	2,539,134	17,098,427
Noninstructional services	1,680	-	-	2,659,715	2,661,395
Sixteenth section	-	-	-	13,222	13,222
Debt service:					
Principal	6,294	-	-	1,060,000	1,066,294
Interest	26,177	-	-	55,870	82,047
Other fees	-	-	-	1,350	1,350
Total Expenditures	30,050,742	-	-	10,242,172	40,292,914
Excess (Deficiency) of Revenues over (under) Expenditures	(373,056)	343,208	355,844	(985,025)	(659,029)
Other Financing Sources (Uses):					
Operating transfers in	2,161,395	361,407	-	1,396,681	3,919,483
Other financing sources	48,219	-	-	-	48,219
Operating transfers out	(2,519,272)	(477,650)	(361,407)	(561,154)	(3,919,483)
Total Other Financing Sources (Uses)	(309,658)	(116,243)	(361,407)	835,527	48,219
Net Change in Fund Balances	(682,714)	226,965	(5,563)	(149,498)	(610,810)
Fund Balances:					
July 1, 2016, as previously reported *	3,659,234	3,287,611	19,412,894	2,120,771	28,480,510
Prior period adjustments	-	-	-	648	648
July 1, 2016	3,659,234	3,287,611	19,412,894	2,121,419	28,481,158
Increase (Decrease) in reserve for inventory	2,210	-	-	18,466	20,676
June 30, 2017	\$ 2,978,730	\$ 3,514,576	19,407,331	\$ 1,990,387	\$ 27,891,024

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

NATCHEZ-ADAMS SCHOOL DISTRICT

Governmental Funds

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

Exhibit D-1

Net change in fund balances - total governmental funds \$ (610,810)

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

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

Capital outlay	\$ 702,076	
Depreciation expense	<u>(461,431)</u>	240,645

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold.

1,183	1,183
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3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Payments of debt principal	1,066,294	
Accrued interest payable	<u>9,698</u>	1,075,992

4. Some items relating to pensions and 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. The activities include:

Pension expense	(7,037,500)	
Contributions paid after the measurement date	<u>3,285,458</u>	(3,752,042)

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

Change in compensated absences	(1,871)	
Change in inventory reserve	20,676	
Prior period adjustments	<u>648</u>	19,453

Change in Net Position of governmental activities	<u><u>\$ (3,025,579)</u></u>
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The notes to the financial statements are an integral part of this statement.

NATCHEZ-ADAMS SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2017

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents	\$ 306,774
Due from other funds	103,173
Total Assets	<u>\$ 409,947</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 288,603
Due to other funds	111,748
Due to student clubs	9,596
Total Liabilities	<u>\$ 409,947</u>

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

NATCHEZ-ADAMS SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board to which two are appointed by the Adams County Board of Supervisors and three are appointed by the City of Natchez Board of Alderman.

For financial reporting purposes, the Natchez-Adams 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.

Blended component unit

The Natchez-Adams Leasing Authority ("the Authority") as explained in the following paragraph is considered to be a blended component unit as determined by Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* and is included in the district's reporting entity.

The Authority is governed by a six member board which is appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, fund balances, revenues, expenditures, and other financing sources and uses have been included in the government-wide financial statements of the school district.

NATCHEZ-ADAMS SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

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.

Sixteenth Section Interest Fund – This fund contains earnings on Sixteenth Section investments not accounted for in the principal fund.

NATCHEZ-ADAMS SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

Sixteenth Section Principal Fund – This fund contains nonexpendable Sixteenth Section funds. Sources include revenues from easements and right-of-ways, permanent damages, sale of sixteenth section lands, sale of non-renewable resources, sale of buildings, and interest. Funds may be used to purchase investments, purchase lieu lands, loans for school building purposes, forest stand improvements, and purchase of school buses.

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:

Agency funds – these funds are composed of club funds and clearing funds.

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.

NATCHEZ-ADAMS SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

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

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

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

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

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

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

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

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

NATCHEZ-ADAMS SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

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.

NATCHEZ-ADAMS SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

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, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

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

NATCHEZ-ADAMS SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

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
Leased property under capital leases	*	*

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows related to pensions were \$9,488,103.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows related to pensions were \$886,599

See Note 8 for further details.

NATCHEZ-ADAMS SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

11. Fund Balances

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

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

NATCHEZ-ADAMS SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

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

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

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

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

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

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 District, adopted May 12, 2011, to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 7% of District maintenance fund revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

NATCHEZ-ADAMS SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

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

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$ 9,491,684.

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

NATCHEZ-ADAMS SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

Treasurer on behalf of the district.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$321,046.

Investments

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

Investment Type	Rating	Maturities (In years)	Fair Value
Fidelity Money Market	No Rating	Less than 1 year	472,810
Full Faith and Credit Bonds U.S. Treasury Guaranteed			
SBIC 2012, 2013, & 2017	AAA	5 to 10 years	1,466,182
Government Agency Bonds			
Federal Home Loan Mortgage Corporation Quarterly Call	AAA	Less than 1 year	99,992
Federal Home Loan Continuous Call	AAA	1 to 5 years	1,058,608
Small Business Admin GTD PTNCT Bond	AAA	1 to 5 years	492,029
Federal Home Loan Mortgage Corporation	AAA	1 to 5 years	300,543
Federal Home Loan Mortgage Corporation	AAA	Less than 1 year	201,108
Federal National Mortgage Association	AAA	1 to 5 years	247,743
Federal Agri Mortgage Corporation	No Rating	1 to 5 years	248,678
Small Business Admin Corporate Bonds	AAA	1 to 5 years	40,282
Small Business Admin GTD DEV PTC Bond		5 to 10 years	153,633
Corporate Bonds			
Goldman Sachs Group Inc	A3	Less than 1 year	100,740
General Electric Capital Corporation	A1	Less than 1 year	361,928
J P Morgan Chase & Company	A3	1 to 5 years	250,800
U S Bank Association	A1	1 to 5 years	251,860
BB&T Corporation SR Medium Term	A2	1 to 5 years	252,792
General Electric Capital Corporation	A1	1 to 5 years	468,124
J P Morgan Chase & Company Note	A3	1 to 5 years	100,839
PNC Funding Corp Note	A3	1 to 5 years	311,007

NATCHEZ-ADAMS SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

Investment Type	Rating	Maturities (In years)	Fair Value
Taxable Municipal Bonds			
MS Development Bank Special Oblig Bonds	No Rating	Less than 1 year	200,414
MS State Go Bonds Series 2010D	AA2	Less than 1 year	150,807
MS State Go Bonds	AA2	Less than 1 year	174,895
MS Development Bank Special Oblig Bonds	A	1 to 5 years	100,639
Choctaw County MS Go Ref Bonds	No Rating	1 to 5 years	105,700
MS State Go Bonds Series 2010D	AA2	1 to 5 years	256,240
MS State Go Bonds Series 2012A	AA2	1 to 5 years	75,124
MS State Go Bonds Series 2012E	AA2	1 to 5 years	150,433
MS Development Bank Special Oblig Bonds	No Rating	1 to 5 years	51,678
MS State Go Bonds Series 2009D	AA2	1 to 5 years	42,448
MS State Go Bonds Series 2015B	AA2	1 to 5 years	49,995
MS Development Bank Special Oblig Bonds	AA	1 to 5 years	120,311
Adams Cnty MS Go INDL Dev Bonds	No Rating	1 to 5 years	108,315
MS Development Bank Special Oblig Bonds	No Rating	1 to 5 years	106,591
Choctaw County MS Go Ref Bonds	No Rating	1 to 5 years	173,189
Choctaw County MS Go Ref Bonds	No Rating	1 to 5 years	98,548
MS Development Bank Special Oblig Bonds	No Rating	1 to 5 years	26,288
Choctaw County MS Go Ref Bonds	No Rating	5 to 10 years	88,150
MS State Go Bonds Series	AA2	5 to 10 years	188,979
MS Development Bank Special Oblig Bonds	AA	5 to 10 years	240,113
Pearl River Urban Renewal Rev Rev Red	No Rating	5 to 10 years	250,467
MS Home Corp Single Family	AAA	5 to 10 years	154,467
CMOs			
Federal National Mortgage Corporation	No Rating	5 to 10 years	438,660
Federal National Mortgage Corporation	No Rating	5 to 10 years	257,694
Federal National Mortgage Corporation	No Rating	5 to 10 years	174,142
Federal National Mortgage Corporation	No Rating	5 to 10 years	242,235
Federal National Mortgage Corporation	No Rating	5 to 10 years	201,179
Federal National Mortgage Corporation	No Rating	10 to 15 years	86,743
Federal National Mortgage Corporation	No Rating	10 to 15 years	44,452
Federal National Mortgage Corporation	No Rating	20 to 25 years	92,269

NATCHEZ-ADAMS SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

Investment Type	Rating	Maturities (In years)	Fair Value
Federal National Mortgage Association	No Rating	1 to 5 years	1,913,706
Federal National Mortgage Association	No Rating	5 to 10 years	1,736,061
Federal National Mortgage Association	No Rating	1 to 5 years	247,610
Federal National Mortgage Association	No Rating	1 to 5 years	198,636
Federal National Mortgage Corporation	No Rating	5 to 10 years	36,121
Freddie Mac Gold POOL	No Rating	5 to 10 years	149,882
Freddie Mac Gold	No Rating	5 to 10 years	336,674
Federal National Mortgage Corporation	No Rating	5 to 10 years	104,488
Federal National Mortgage Corporation	No Rating	10 to 15 years	2,166,656
Freddie Mac Gold	No Rating	10 to 15 years	50,975
Federal National Mortgage Corporation	No Rating	20 to 25 years	36,010
TOTAL			<u>\$ 18,307,682</u>

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

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

- Level 1 type of investments of \$18,307,682 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.

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.

NATCHEZ-ADAMS SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	General Fund	\$ 480,355
General Fund	Other Governmental Funds	962,541
General Fund	Agency Fund	28,443
Other Governmental Funds	General Fund	180,885
Other Governmental Funds	Other Governmental Funds	185,478
Other Governmental Funds	Agency Fund	83,305
16th Section Interest Fund	General Fund	2,094,598
16th Section Interest Fund	Other Governmental Funds	49,857
16th Section Principal Fund	16th Section Interest Fund	84,354
Agency Funds	General Fund	102,428
Agency Funds	Other Governmental Funds	745
		<u>\$ 4,252,989</u>

The amounts due to/from other funds represent amounts advanced or received, for timing differences between revenues and expenditures, and loans to cover cash deficits.

B. Advances To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Sixteenth Section Principal Fund	General Fund	\$202,597

The advance from the Sixteenth Section Principal Fund to the general fund is a loan for capital expenditures and repairs.

Sixteenth section principal loans payable

Note: The sixteenth section principal loans payable are not reflected on the Statement of Net Position because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances. The interest rate on the sixteenth section principal loans payable as of June 30, 2017 is 4 percent.

NATCHEZ-ADAMS SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 5,597	\$ 4,886	\$ 10,483
2019	33,161	8,063	41,224
2020	34,382	6,741	41,123
2021	35,759	5,366	41,125
2022	6,547	3,935	10,482
2023 - 2027	36,882	15,532	52,414
2028 - 2032	50,269	7,945	58,214
Total	<u>\$ 202,597</u>	<u>\$ 52,468</u>	<u>\$ 255,065</u>

C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	General Fund	\$ 1,665,767
	Other governmental funds	853,505
16th Section Interest Fund	Other governmental funds	477,650
16th Section Principal Fund	16th Section Interest Fund	361,407
Other governmental funds	General Fund	495,628
	Other governmental funds	65,526
Total		<u>\$ 3,919,483</u>

The transfers represent operating transfers for school operation and transfers of indirect costs, debt service, and unrestricted Sixteenth Section interest earnings.

Note 4 – Restricted Assets

The restricted assets represent the cash balance and investment balance, totaling \$668,508 and \$18,307,682, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

NATCHEZ-ADAMS SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

Note 5 – Capital Assets

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

	Balance 7/1/2016	Increases	Decreases	Other Adjustments	Balance 6/30/2017
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 2,003,222	\$ -	\$ -	\$ 93,180	\$ 2,096,402
Construction-in-progress	-	382,320	-	-	382,320
Total non-depreciable capital assets	2,003,222	382,320	-	93,180	2,478,722
<u>Depreciable capital assets:</u>					
Buildings	18,903,734	209,213	-	842,530	19,955,477
Building improvements	5,160,541	-	-	-	5,160,541
Improvements other than buildings	305,533	-	-	45,086	350,619
Mobile equipment	359,771	37,533	6,000	(107,124)	284,180
Furniture and equipment	2,700,254	73,010	112,252	173,094	2,834,106
Leased property under capital leases	29,680	-	-	-	29,680
Total depreciable capital assets	27,459,513	319,756	118,252	953,586	28,614,603
<u>Less accumulated depreciation for:</u>					
Buildings	10,230,790	265,781	-	37,009	10,533,580
Building improvements	3,388,391	108,612	-	(18,125)	3,478,878
Improvements other than buildings	92,007	12,221	-	2,269	106,497
Mobile equipment	215,233	11,418	5,940	(73)	220,638
Furniture and equipment	2,691,094	58,057	111,129	(113,145)	2,524,877
Leased property under capital leases	15,035	5,342	-	993	21,370
Total accumulated depreciation	16,632,550	461,431	117,069	(91,072)	16,885,840
Total depreciable capital assets, net	10,826,963	(141,675)	1,183	1,044,658	11,728,763
Governmental activities capital assets, net	\$ 12,830,185	\$ 240,645	\$ 1,183	\$ 1,137,838	\$ 14,207,485

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 390,555
Support services	53,450
Non-instructional	17,426
Total depreciation expense - Governmental activities	<u>\$ 461,431</u>

NATCHEZ-ADAMS SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

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

	Spent to June 30, 2017	Remaining Commitment
Governmental Activities:		
School-wide renovation project	\$ 382,320	\$ -
Total governmental activities	382,320	-

Construction projects included in governmental activities are funded with local sources.

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. General obligation bonds payable	\$ 940,000	\$ -	\$ 460,000	\$ 480,000	\$ 480,000
B. Limited obligation bonds payable	1,600,000	-	600,000	1,000,000	1,000,000
C. Obligations under capital leases	6,294	-	6,294	-	-
D. Compensated absences payable	391,292	1,871	-	393,163	20,000
Total	\$ 2,937,586	\$ 1,871	\$ 1,066,294	\$ 1,873,163	\$ 1,500,000

A. General obligation bonds payable

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

NATCHEZ-ADAMS SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
2012 Refunding bond	1.61%	5/3/2012	12/30/2017	\$ 2,632,000	480,000
Total				<u>\$ 2,632,000</u>	<u>480,000</u>

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

1. General obligation bond issue of 5/3/2012:

Year Ending June 30	Principal	Interest	Total
2018	\$ 480,000	\$ 9,600	\$ 489,600
Total	<u>\$ 480,000</u>	<u>\$ 9,600</u>	<u>\$ 489,600</u>

This debt will be retired from the Refunding Bond Series 2012 A & B.

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2017, the amount of outstanding bonded indebtedness was equal to less than 1% of property assessments as of October 1, 2016.

B. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement, Refund Bond Series 2009	2.94%	4/28/2009	2/1/2018	\$ 5,102,500	\$ 1,000,000
Total				<u>\$ 5,102,500</u>	<u>\$ 1,000,000</u>

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

NATCHEZ-ADAMS SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

1. Limited obligation bond issue of 4/28/2009:

Year Ending June 30	Principal		Interest		Total
2018	\$	1,000,000	\$	20,212	\$ 1,020,212
Total	\$	1,000,000	\$	20,212	\$ 1,020,212

This debt will be retired from the MAEP 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.

C. Obligations under capital leases

The school district has entered into a lease agreement as lessee for financing the acquisition of a delivery truck at a cost of \$29,680. This lease qualifies as a capital lease for accounting purposes.

The various options available to the lessee for this lease are as follows:

1. Option to purchase the equipment at the end of the lease term

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Ford Motor Credit Company	6.45	7/3/2013	7/3/2017	\$ 29,680	\$ -
Total				<u>\$ 29,680</u>	<u>-</u>

This debt will be retired from the district maintenance 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.

NATCHEZ-ADAMS SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

Note 7 – Prior Year Defeasance of Debt

In prior years, the Natchez-Adams School District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the district's financial statements. On June 30, 2017, \$5,340,000 of bonds outstanding are defeased.

Note 8 – Defined Benefit Pension Plan General Information about the Pension Plan

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

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

NATCHEZ-ADAMS SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

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 \$3,285,458, \$3,073,349, and \$2,914,824, 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 \$54,485,438 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 .305027 percent, which was based on a measurement date of June 30, 2016. This was an increase of .009027 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 total pension expense of \$7,037,500, including the additional expense from the GASB 68 calculations. 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	\$ 4,274,246	\$ -
Net difference between projected and actual earnings on pension plan investments	-	469,583
Changes of assumptions	329,752	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,598,647	417,016
District contributions subsequent to the measurement date	3,285,458	-
Total	\$ <u>9,488,103</u>	\$ <u>886,599</u>

\$3,285,458 of deferred outflows relate to contributions made subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

NATCHEZ-ADAMS SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

Year Ending June 30:	
2018	\$ 1,497,187
2019	1,497,187
2020	1,497,187
2021	824,485
2022	-
Thereafter	

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

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

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

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

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

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

NATCHEZ-ADAMS SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

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	\$ 69,862,548	\$ 54,485,438	\$ 41,727,422

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

Note 9 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2018	\$ 85,544
2019	85,544
2020	7,700
Total	<u>\$ 178,788</u>

NATCHEZ-ADAMS SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

Note 10 – Deficit Fund Balance of Individual Funds

The Extended School Year Fund has a deficit fund balance in the amount of \$20,950.

The deficit fund balance is in violation of Section 37-61-19, Miss. Code Ann. (1972). However, this deficit could have been eliminated with a transfer from the District Maintenance Fund (General Fund). Section 37-61-21, Miss. Code Ann. (1972), allows the school board of the school district, with the assistance from the superintendent, to transfer resources to and from functions and funds within the budget when and where needed under certain circumstances.

Note 11 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Corrections posted with respect to capitalized assets	\$ 1,137,838
2. Corrections to prior year payables	(2,406)
Total	<u>\$ 1,135,432</u>

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

Revenue correction	\$ 648
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Note 12 – Contingencies

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

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

NATCHEZ-ADAMS SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

Note 13 – 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 14 – Uncertainties

In cases where a township is occupied by two or more school districts, state law requires that available sixteenth section funds shall be divided between the school districts lying wholly or partly within such townships in proportion to the number of children enrolled and residing in each school district. In order to determine what portions of available sixteenth section funds are due to or from other school districts, the superintendent of each school district is required to compile lists of such children in compliance with Section 29-3-121, Miss. Code Ann. (1972). Because none of the school districts have been able to calculate the amounts due to the other districts because of the lieu lands location, no division of sixteenth section revenues has been accrued as a receivable or payable, as the case may be. However, the District and some of the surrounding counties have properly compiled these educable child lists, as required by law, and are working with legal counsel. Currently, no definitive conclusions have surfaced yet.

Of the townships with which the Natchez-Adams School District is shared by other school districts, the Natchez-Adams School District has control of some of the sixteenth section property. A portion of the sixteenth section revenues (rents, leases, timber sales, etc.) to which the Natchez-Adams School District received on these sections may be due other school districts. In addition, for the other townships where another school district controls the sixteenth section property, the Natchez-Adams School District may be entitled to a portion of the sixteenth section revenues that the other school district received.

Note 15 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of \$(40,028,154) includes the effect of deferring the recognition of expenses resulting from the continuing compliance with the GASB 68 pension standard. The \$9,488,103 of deferred outflows and \$886,599 of deferred inflows will both be amortized of the next four years, affecting the unrestricted net position over time.

NATCHEZ-ADAMS SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

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 Natchez-Adams School District evaluated the activity of the district through April 4, 2018, (the date the financial statements were available to be issued), and determined that the following subsequent event(s) has (have) occurred requiring disclosure in the notes to the financial statements:

At the regular board meeting on November 21, 2017, the Board approved a resolution authorizing lease issuance and trust certificates for the issuance of \$9 million in notes. At that same meeting, the Board approved a Note Authorization Resolution for a lease with the Natchez-Adams Leasing Authority (a component unit of the District) and the approval to issue \$25 million in trust certificates.

REQUIRED SUPPLEMENTARY INFORMATION

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NATCHEZ-ADAMS SCHOOL DISTRICT

Required Supplementary Information

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 13,907,213	\$ 13,223,038	\$ 13,613,973	\$ (684,175)	\$ 390,935
State sources	16,679,085	16,047,462	15,814,764	(631,623)	(232,698)
Federal sources	196,783	240,333	248,949	43,550	8,616
Total Revenues	30,783,081	29,510,833	29,677,686	(1,272,248)	166,853
Expenditures:					
Instruction	15,606,455	15,488,647	15,457,298	117,808	31,349
Support services	14,397,702	14,473,343	14,559,293	(75,641)	(85,950)
Noninstructional services	2,093	-	1,680	2,093	(1,680)
Debt service:					
Principal	5,913	30,653	6,294	(24,740)	24,359
Interest	787	1,818	26,177	(1,031)	(24,359)
Total Expenditures	30,012,950	29,994,461	30,050,742	18,489	(56,281)
Excess (Deficiency) of Revenues over (under) Expenditures	770,131	(483,628)	(373,056)	(1,253,759)	110,572
Other Financing Sources (Uses):					
Operating transfers in	1,913,326	2,445,969	2,161,395	532,643	(284,574)
Other financing sources	-	48,213	48,219	48,213	6
Operating transfers out	(2,602,519)	(2,767,015)	(2,519,272)	(164,496)	247,743
Total Other Financing Sources (Uses)	(689,193)	(272,833)	(309,658)	416,360	(36,825)
Net Change in Fund Balances	80,938	(756,461)	(682,714)	(837,399)	73,747
Fund Balances:					
July 1, 2016,	8,080,430	7,087,586	3,659,234	(992,844)	(3,428,352)
Increase (Decrease) in reserve for inventory	-	-	2,210	-	2,210
June 30, 2017	\$ 8,161,368	\$ 6,331,125	\$ 2,978,730	\$ (1,830,243)	\$ (3,352,395)

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

NATCHEZ-ADAMS SCHOOL DISTRICT

Required Supplementary Information

**Budgetary Comparison Schedule
Sixteenth Section Interest Fund
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Sixteenth section sources	\$ 244,800	\$ 343,283	\$ 343,208	\$ 98,483	\$ (75)
Total Revenues	244,800	343,283	343,208	98,483	(75)
Expenditures:					
Instruction	-	-	-	-	-
Support services	-	-	-	-	-
Noninstructional services	-	-	-	-	-
Sixteenth section	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-
Debt service:	-	-	-	-	-
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Advance refunding escrow	-	-	-	-	-
Other	-	-	-	-	-
Total Expenditures	-	-	-	-	-
Excess (Deficiency) of Revenues over (under) Expenditures	244,800	343,283	343,208	98,483	(75)
Other Financing Sources (Uses):					
Operating transfers in	300,000	361,407	361,407	61,407	0
Operating transfers out	(464,250)	(477,650)	(477,650)	(13,400)	0
Total Other Financing Sources (Uses)	(164,250)	(116,243)	(116,243)	48,007	0
Net Change in Fund Balances	80,550	227,040	226,965	146,490	(75)
Fund Balances:					
July 1, 2016, as previously reported *	3,206,442	3,285,086	3,287,611	78,644	2,525
June 30, 2017	\$ 3,286,992	\$ 3,512,126	\$ 3,514,576	\$ 225,134	\$ 2,450

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

NATCHEZ-ADAMS SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

PERS

Last 10 Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.3050%	0.2960%	0.2970%
District's proportionate share of the net pension liability (asset) \$	54,485,438	45,755,763	36,050,362
District's covered payroll	19,513,325	18,506,822	18,148,317
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	279%	247%	199%
Plan fiduciary net position as a percentage of the total pension liability	62%	62%	67%

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 Statement No. 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

NATCHEZ-ADAMS SCHOOL DISTRICT

Notes to the Required Supplementary Information For the Year Ended June 30, 2017

NATCHEZ-ADAMS SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

PERS

Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 3,285,458	3,073,349	2,914,824
Contributions in relation to the contractually required contribution	\$ 3,285,458	3,073,349	2,914,824
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
District's covered payroll	20,860,051	19,513,325	18,506,822
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 Statement No. 68 was implemented in FYE 6/30/2015, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

NATCHEZ-ADAMS SCHOOL DISTRICT

Notes to the Required Supplementary Information For the Year Ended June 30, 2017

Budgetary Comparison Schedule

(1) Basis of Presentation

The Budgetary Comparison 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

NATCHEZ-ADAMS SCHOOL DISTRICT

Notes to the Required Supplementary Information
For the Year Ended June 30, 2017

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

NATCHEZ-ADAMS SCHOOL DISTRICT

Supplementary Information

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

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Catalog of Federal Domestic Assistance No.</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 294,506
National school lunch program	10.555	2,289,105
Summer food service program for children	10.559	51,119
Total child nutrition cluster		2,634,730
Total passed-through Mississippi Department of Education		2,634,730
Passed-through State of Mississippi		
Fresh fruit and vegetable program	10.582	103,783
Total passed-through State of Mississippi		103,783
Passed-through Adams County		
Schools and roads - grants to states	10.665	23,078
Total passed-through Adams County		23,078
Total U.S. Department of Agriculture		2,761,591
<u>U.S. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	22,567
Total U.S. Department of Defense		22,567
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	115,134
Total Federal Communications Commission		115,134
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	2,839,997
Career and technical education - basic grants to states	84.048	27,849
Education for homeless children and youth	84.196	48,096
Rural education	84.358	63,992
Improving teacher quality-State Grants	84.367	503,075
Subtotal		3,483,009
Special education cluster:		
Special education - grants to states	84.027	962,278
Special education - preschool grants	84.173	44,649
Total special education cluster		1,006,927
Total passed-through Mississippi Department of Education		4,489,936
Total U.S. Department of Education		4,489,936
Total for All Federal Awards		\$ 7,389,228

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

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

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the 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 Natchez-Adams School District has not elected to use the 10 % de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Other Items

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

NATCHEZ-ADAMS SCHOOL DISTRICT

Supplementary Information

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2017**

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 28,684,595	19,758,484	1,796,424	2,889,150	4,240,537
Other	11,608,319	3,351,478	1,074,391	142,889	7,039,561
Total	<u>\$ 40,292,914</u>	<u>23,109,962</u>	<u>2,870,815</u>	<u>3,032,039</u>	<u>11,280,098</u>
Total number of students *	<u>3,221</u>				
Cost per student	<u>\$ 12,509</u>	<u>7,175</u>	<u>891</u>	<u>941</u>	<u>3,502</u>

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

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

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

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

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

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

OTHER INFORMATION

NATCHEZ-ADAMS SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2017	2016*	2015*	2014*
Revenues:				
Local sources	\$ 13,613,973	\$ 12,974,286	\$ 12,823,563	\$ 12,329,131
State sources	15,814,764	15,479,713	15,186,435	14,921,642
Federal sources	248,949	187,947	138,400	238,664
Total Revenues	29,677,686	28,641,946	28,148,398	27,489,437
Expenditures:				
Instruction	15,457,298	15,637,506	14,384,140	13,806,846
Support services	14,559,293	13,371,253	12,785,570	11,502,472
Noninstructional services	1,680	7,281	28,222	1,749
Debt service:				
Principal	6,294	5,913	5,555	11,918
Interest	26,177	787	6,653	7,181
Total Expenditures	30,050,742	29,022,740	27,210,140	25,330,166
Excess (Deficiency) of Revenues over (under) Expenditures	(373,056)	(380,794)	938,258	2,159,271
Other Financing Sources (Uses):				
Sale of other property	-	-	-	3,000
Operating transfers in	2,161,395	1,520,448	1,117,349	1,556,622
Other financing sources	48,219	-	-	-
Operating transfers out	(2,519,272)	(1,990,997)	(1,382,382)	(1,891,209)
Total Other Financing Sources (Uses)	(309,658)	(470,549)	(265,033)	(331,587)
Net Change in Fund Balances	(682,714)	(851,343)	673,225	1,827,684
Fund Balances:				
Beginning of period, as previously reported **	3,659,234	4,508,342	4,218,246	2,390,555
Prior period adjustments	-	-	(383,787)	-
Beginning of period, as restated **	3,659,234	4,508,342	3,834,459	2,390,555
Increase (Decrease) in reserve for inventory	2,210	2,235	658	7
End of Period	\$ 2,978,730	\$ 3,659,234	\$ 4,508,342	\$ 4,218,246

*SOURCE - PRIOR YEAR AUDIT REPORTS

NATCHEZ-ADAMS SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2017	2016*	2015*	2014*
Revenues:				
Local sources	\$ 13,946,066	\$ 13,343,570	\$ 13,127,807	\$ 12,629,618
State sources	17,610,145	17,146,412	16,581,758	16,402,672
Federal sources	7,374,839	7,833,023	6,686,705	7,372,395
Sixteenth section sources	702,835	854,941	590,186	1,327,338
Total Revenues	39,633,885	39,177,946	36,986,456	37,732,023
Expenditures:				
Instruction	19,370,179	19,567,928	17,166,139	17,289,404
Support services	17,098,427	16,165,497	15,102,272	14,101,370
Noninstructional services	2,661,395	2,421,912	2,562,660	2,375,907
Sixteenth section	13,222	31,686	5,004	9,482
Debt service:				
Principal	1,066,294	1,025,913	995,555	976,918
Interest	82,047	80,603	108,612	129,658
Advance refunding escrow	-	-	1,250	1,250
Other	1,350	1,350	-	-
Total Expenditures	40,292,914	39,294,889	35,941,492	34,883,989
Excess (Deficiency) of Revenues over (under) Expenditures	(659,029)	(116,943)	1,044,964	2,848,034
Other Financing Sources (Uses):				
Sale of other property	-	-	-	3,000
Operating transfers in	3,919,483	3,047,908	1,566,770	2,861,374
Other financing sources	48,219	-	-	-
Operating transfers out	(3,919,483)	(3,047,908)	(1,566,770)	(2,861,374)
Other financing uses				
Total Other Financing Sources (Uses)	48,219	-	-	3,000
Net Change in Fund Balances	(610,810)	(116,943)	1,044,964	2,851,034
Fund Balances:				
Beginning of period, as previously reported	28,481,158	28,589,709	27,927,621	25,072,951
Prior period adjustments		-	(383,787)	-
Beginning of period, as restated	28,481,158	28,589,709	27,543,834	25,072,951
Increase (Decrease) in reserve for inventory	20,676	7,744	911	3,636
End of Period	\$ 27,891,024	\$ 28,480,510	\$ 28,589,709	\$ 27,927,621

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL 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

Superintendent and School Board
Natchez-Adams School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Natchez-Adams School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Natchez-Adams School District's basic financial statements, and have issued our report thereon dated April 4, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

The Miller Group, PLLC

Natchez, Mississippi

April 4, 2018

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

Superintendent and School Board
Natchez-Adams School District

Report on Compliance for Each Major Federal Program

We have audited the Natchez-Adams School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Natchez-Adams School District's major federal programs for the year ended June 30, 2017. The Natchez-Adams 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of the Natchez-Adams School District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Natchez-Adams School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Natchez-Adams School District's internal control over compliance.

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

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

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

The Miller Group, PLLC

Natchez, Mississippi
April 4, 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
Natchez-Adams School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Natchez-Adams School District as of and for the year ended June 30, 2017, which collectively comprise Natchez-Adams School District's basic financial statements and have issued our report thereon dated April 4, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed two instances of noncompliance, described below.

Finding 2017-01 Sixteenth Section Funds Allocation

Condition

The District shares townships with other districts. Section 29-3-119, Miss. Code Ann. (1972), requires that the sixteenth section revenue derived from the shared townships be divided according to the applicable percentage of educable children.

Criteria

Sixteenth section revenues generated on shared lieu lands should be allocated to the respective school districts according to the enrollments of the educable children in that area.

Cause of Condition

Although the District prepared and filed the lists of educable children with the Superintendent, the District has not been able to calculate the amount of revenue derived from the shared townships because it has not been able to determine the location of the lieu lands. Even though the District regularly sends and receives the educable child lists from/to Jefferson and Wilkinson Counties, the exact details are unknown and being investigated further by the District's legal counsel.

Effect of Condition

Immaterial non-compliance with state statutes.

Recommendation

The District should consult legal counsel to determine the best way to proceed with determining the location of the lieu lands. Once lieu lands are identified, the District should be able to calculate the amount of revenue derived from these townships. Revenues can then be divided according to the applicable percentage of educable children once other School Districts comply with state law and file the appropriate lists of educable children.

Response

The District has determined which townships are shared by other districts and has consulted with Board counsel. The Board counsel has been assigned the duty of identifying lieu lands.

Finding 2017-2 State Purchasing Law

Condition

The District failed to obtain the Mississippi Department of Education's approval for the purchase of two modular buildings, and the purchase was from a vendor who was not on the approved list at the time of the purchase.

Criteria

Significant purchases of in excess of \$50,000 are to follow a bidding and purchasing process that includes, with respect to relocatable classrooms, obtaining prior approval of such bids by the State Department of Education.

Cause of Condition

The architects responsible for the bidding and purchasing of two relocatable classrooms failed to obtain the approval from the Mississippi Department of Education. The District subsequently sought approval when the omission was discovered, but approval was denied as the vendor was not on the approved list. The vendor had already started the process to be on the approved vendor list, but approval had not been granted as of the time of the purchase, and still not as of January 10, 2018, when the list was checked as a part of our audit procedures.

Effect of Condition

The Mississippi Department of Education has stated that they will not stand behind the District if anything happens to the classrooms in the future as they were not purchased and installed by an approved vendor.

Recommendation

The District has the responsibility to oversee the work of any contractors used, and to ensure the proper procedures are followed on their behalf, just as if the District had performed the service internally. Before accepting any goods and services, or submitting the invoices for payment, a representative from the District should be verifying that the appropriate laws were followed.

Response

The District is formalizing a process to work with third parties who have oversight on projects to ensure that everyone is in agreement with purchasing practices and following the proper laws.

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

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

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

The Gillen Group, PLLC

April 4, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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NATCHEZ-ADAMS 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: Unmodified
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? No
 - b. Significant deficiency(ies) identified? None reported
3. Noncompliance material to financial statements noted? No

Federal Awards:

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

7. Identification of major programs:

CFDA Numbers

10.553; 10.555; 10.559

Name of Federal Program or Cluster

Child Nutrition Cluster

8. Dollar threshold used to distinguish between type A and type B
programs: \$750,000
9. Auditee qualified as low-risk auditee? Yes

NATCHEZ-ADAMS SCHOOL DISTRICT

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

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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

AUDITEE'S CORRECTIVE ACTION PLAN
AND / OR
SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS

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NATCHEZ-ADAMS SCHOOL DISTRICT

Auditee's Summary of Prior Federal Audit Findings
For the Year Ended June 30, 2017

N/A – No federal findings reported in the prior year.