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NESHOBA COUNTY SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2017

NESHOBA COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT



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

James L. Stafford, CPA	Thomas J. Browder, CPA
Harry W. Stevens, CPA	Stephen D. Flake, CPA
S. Keith Winfield, CPA	John N. Russell, CPA
William B. Staggars, CPA	Thomas A. Davis, CPA
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R. Steve Sinclair, CPA	Jason D. Brooks, CPA
Marsha L. McDonald, CPA	Robert E. Cordle, Jr., CPA
Wanda S. Holley, CPA	Perry C. Rackley, Jr., CPA
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Kimberly S. Caskey, CPA	Clifford P. Stewart, CPA
Susan M. Lummus, CPA	

INDEPENDENT AUDITORS' REPORT

Superintendent and School Board  
Neshoba County School District

**Report on the Financial Statements**

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

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

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

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

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

## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 5-13, 47, 48 and 49, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Neshoba County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations 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 January 31, 2018, on our consideration of the Neshoba County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 Neshoba County 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 Neshoba County School District's internal control over financial reporting and compliance.

Philadelphia, Mississippi  
January 31, 2018

*Watkins Ward and Stafford, PLLC*



MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

## **FINANCIAL HIGHLIGHTS**

- Total net position for 2017 decreased \$1,809,223, including a prior period adjustment of (\$14,523), which represents a 17.2% decrease from fiscal year 2016. Total net position for 2016 decreased \$1,503,119, including a prior period adjustment of \$9,916, which represents a 16.6% decrease from fiscal year 2015.
- General revenues amounted to \$22,277,096 and \$21,374,093, or 81% and 81% of all revenues for fiscal years 2017 and 2016, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,241,522, or 19% of total revenues for 2017, and \$5,051,033, or 19% of total revenues for 2016.
- The District had \$29,313,318 and \$27,938,161 in expenses for fiscal years 2017 and 2016; only \$5,241,522 for 2017 and \$5,051,033 for 2016 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$22,277,096 for 2017 and \$21,374,093 for 2016 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$21,490,079 in revenues and \$19,974,874 in expenditures for 2017, and \$21,210,904 in revenues and \$20,859,685 in expenditures in 2016. The General Fund's fund balance increased by \$639,920 from 2016 to 2017, and increased by \$430,889, including a prior period adjustment of (\$84) from 2015 to 2016.
- Capital assets, net of accumulated depreciation, increased by \$15,518,127 for 2017 and increased by \$4,321,325 for 2016. The increase for 2017 was due primarily to the increase in construction projects in progress.
- Long-term debt, including compensated absences payable, increased by \$8,429,441 for 2017 and increased by \$13,575,673 for 2016. This increase for 2017 was due primarily to the issuance of certificates of participation. The liability for compensated absences decreased by \$37,420 for 2017 and increased by \$5,647 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 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.

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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:

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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 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 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 New 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 as required by the Governmental Accounting Standards Board.

### **Supplementary Information**

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

### **Other Information**

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### **Net position**

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$12,351,064 as of June 30, 2017.

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

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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**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Current assets	\$ 7,809,651	\$ 7,882,775	-0.93 %
Restricted assets	4,695,535	11,016,047	-57.38 %
Capital assets, net	36,138,435	20,620,308	75.26 %
<b>Total assets</b>	<b><u>48,643,621</u></b>	<b><u>39,519,130</u></b>	<b>23.09 %</b>
 <b>Deferred outflows of resources</b>	 <b><u>8,805,847</u></b>	 <b><u>9,179,220</u></b>	 <b>-4.07 %</b>
 Current liabilities	 1,672,460	 2,353,753	 -28.94 %
Long-term debt outstanding	26,642,508	18,213,067	46.28 %
Net pension liability	41,375,617	35,729,841	15.80 %
<b>Total liabilities</b>	<b><u>69,690,585</u></b>	<b><u>56,296,661</u></b>	<b>23.79 %</b>
 <b>Deferred inflows of resources</b>	 <b><u>109,947</u></b>	 <b><u>2,943,530</u></b>	 <b>-96.26 %</b>
 <b>Net position:</b>			
Net investment in capital assets	9,685,727	11,220,525	-13.68 %
Restricted	4,911,954	2,648,326	85.47 %
Unrestricted	(26,948,745)	(24,410,692)	-10.40 %
<b>Total net position</b>	<b><u>\$ (12,351,064)</u></b>	<b><u>\$ (10,541,841)</u></b>	<b>-17.16 %</b>

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)	\$ (26,948,745)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	<u>32,679,717</u>
Unrestricted net position, exclusive of the net pension liability effect	<u><u>\$ 5,730,972</u></u>

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

- Increase in net capital assets in the amount of \$15,518,127.
- The principal retirement of \$640,847 of long-term debt.
- The issuance of \$9,300,000 of certificates of participation.
- The increase in net pension liability of \$5,645,776.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2017 and June 30, 2016 were \$27,518,618 and \$26,425,126, respectively. The total cost of all programs and services was \$29,313,318 for 2017 and \$27,938,161 for 2016.

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

**Table 2**  
**Changes in Net Position**

	<u>Year Ended</u> <u>June 30, 2017</u>	<u>Year Ended</u> <u>June 30, 2016</u>	<u>Percentage</u> <u>Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 673,152	\$ 685,654	(1.82) %
Operating grants and contributions	4,568,370	4,340,589	5.25 %
Capital Grants and Contributions	-	24,790	N/A %
General revenues:			
Property taxes	4,378,085	3,236,922	35.25 %
Grants and contributions not restricted	17,492,806	17,534,186	(0.24) %
Investment earnings	31,876	63,716	(49.97) %
Sixteenth section sources	255,434	429,330	(40.50) %
Other	118,895	109,939	8.15 %
<b>Total revenues</b>	<b><u>27,518,618</u></b>	<b><u>26,425,126</u></b>	<b><u>4.14 %</u></b>
<b>Expenses:</b>			
Instruction	13,916,196	14,484,306	(3.92) %
Support services	7,357,124	7,427,261	(0.94) %
Non-instructional	1,653,065	1,641,847	0.68 %
Sixteenth section	91,986	196,629	(53.22) %
Pension expense	5,479,694	3,775,082	45.15 %
Interest on long-term liabilities	815,253	413,036	97.38 %
<b>Total expenses</b>	<b><u>29,313,318</u></b>	<b><u>27,938,161</u></b>	<b><u>4.92 %</u></b>
<b>Increase (Decrease) in net position</b>	<b><u>(1,794,700)</u></b>	<b><u>(1,513,035)</u></b>	<b><u>(18.62) %</u></b>
<b>Net Position, July 1, as previously reported</b>	<b><u>(10,541,841)</u></b>	<b><u>(9,038,722)</u></b>	<b><u>(16.63) %</u></b>
<b>Prior Period Adjustment</b>	<b><u>(14,523)</u></b>	<b><u>9,916</u></b>	<b><u>(246.46) %</u></b>
<b>Net Position, July 1, as restated</b>	<b><u>(10,556,364)</u></b>	<b><u>(9,028,806)</u></b>	<b><u>(16.92) %</u></b>
<b>Net Position, June 30</b>	<b><u>\$ (12,351,064)</u></b>	<b><u>\$ (10,541,841)</u></b>	<b><u>(17.16) %</u></b>

**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.

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**Table 3**  
**Net Cost of Governmental Activities**

	<b>Total Expenses</b>		<b>Percentage</b>
	<b>2017</b>	<b>2016</b>	<b>Change</b>
Instruction	\$ 13,916,196	\$ 14,484,306	(3.92) %
Support services	7,357,124	7,427,261	(0.94) %
Non-instructional	1,653,065	1,641,847	0.68 %
Sixteenth section	91,986	196,629	(53.22) %
Pension Expense	5,479,694	3,775,082	45.15 %
Interest on long-term liabilities	815,253	413,036	97.38 %
<b>Total expenses</b>	<b>\$ 29,313,318</b>	<b>\$ 27,938,161</b>	<b>4.92 %</b>

  

	<b>Net (Expense) Revenue</b>		<b>Percentage</b>
	<b>2017</b>	<b>2016</b>	<b>Change</b>
Instruction	\$ (11,424,828)	\$ (12,242,413)	(6.68) %
Support services	(6,636,346)	(6,609,782)	0.40 %
Non-instructional	204,315	141,884	44.00 %
Sixteenth section	(73,326)	(142,199)	(48.43) %
Pension Expense	(5,479,694)	(3,775,082)	45.15 %
Interest on long-term liabilities	(661,917)	(259,536)	155.04 %
<b>Total net (expense) revenue</b>	<b>\$ (24,071,796)</b>	<b>\$ (22,887,128)</b>	<b>5.18 %</b>

- Net cost of governmental activities [(\$24,071,796) for 2017 and (\$22,887,128) for 2016] was financed by general revenue, which is primarily made up of property taxes (\$4,378,085 for 2017 and \$3,236,922 for 2016) and state and federal revenues (\$17,492,806 for 2017 and \$17,534,186 for 2016). In addition, there was \$255,434 and \$429,330 in Sixteenth Section sources for 2017 and 2016, respectively.
- Investment earnings amounted to \$31,876 for 2017 and \$63,716 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 \$11,057,560, a decrease of \$5,791,471, which includes a decrease in inventory of \$3,234. \$5,271,891 or 48% 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 \$5,785,669 or 52% 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.

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The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$639,920. The fund balance of Other Governmental Funds showed an increase in the amount of \$191,193, which includes a decrease in reserve for inventory of \$3,234. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund		Increase (Decrease)
New HS/ADA Renovation Fund	\$	(8,586,064)
COPS Construction Fund	\$	1,963,480

## 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 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 \$49,516,160, including land, school buildings, improvements other than buildings, buses, other school vehicles, leased property, and furniture and equipment. This amount represents an increase of \$16,283,136 from 2016. Total accumulated depreciation as of June 30, 2017, was \$13,377,725, and total depreciation expense for the year was \$984,195, resulting in total net capital assets of \$36,138,435.

**Table 4**  
**Capital Assets, Net of Accumulated Depreciation**

	June 30, 2017	June 30, 2016	Percentage Change
Land	\$ 783,993	\$ 783,993	0.00 %
Construction in Progress	20,833,022	4,813,594	332.80 %
Buildings	11,472,852	11,967,272	(4.13) %
Improvements other than buildings	1,046,189	1,097,294	(4.66) %
Mobile equipment	1,552,928	1,499,477	3.56 %
Furniture and equipment	449,451	458,678	(2.01) %
Leased property under capital leases	-	1,488	N/A %
<b>Total</b>	<b>\$ 36,138,435</b>	<b>\$ 20,621,796</b>	<b>75.24 %</b>

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



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Management's Discussion and Analysis  
For the Year Ended June 30, 2017

**Debt Administration.** At June 30, 2017, the District had \$26,642,508 in outstanding long-term debt, of which \$895,385 is due within one year. The liability for compensated absences decreased \$37,420 from the prior year.

**Table 5  
Outstanding Long-Term Debt**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 13,720,000	\$ 14,000,000	(2.00) %
Limited obligation bonds payable	625,000	915,000	(31.69) %
Certificates of participation payable	9,300,000	-	N/A %
Discount	(192,292)	-	N/A %
Obligations under capital leases	-	38,739	N/A %
Obligations under energy efficiency leases	-	32,108	N/A %
Qualified school construction bonds payable	3,000,000	3,000,000	0.00 %
Compensated absences payable	189,800	227,220	(16.47) %
<b>Total</b>	<b><u>\$ 26,642,508</u></b>	<b><u>\$ 18,213,067</u></b>	<b><u>46.28 %</u></b>

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

## CURRENT ISSUES

The Neshoba County School District is financially stable. The District is proud of its community support of the public schools. The District has committed itself to financial excellence for many years. The District plans to continue its sound fiscal management to meet the challenges and to embrace the opportunities of the future.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Neshoba County School District, 401 East Beacon Street, Philadelphia, MS 39350.

BASIC FINANCIAL STATEMENTS

**NESHOBA COUNTY SCHOOL DISTRICT**

**Statement of Net Position  
June 30, 2017**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 7,023,230
Due from other governments	758,804
Other receivables, net	7,193
Inventories	20,424
Restricted assets	4,695,535
Capital assets, non-depreciable:	
Land	783,993
Construction in progress	20,833,022
Capital assets, net of accumulated depreciation:	
Buildings	11,472,852
Improvements other than buildings	1,046,189
Mobile equipment	1,552,928
Furniture and equipment	449,451
Total Assets	<u>48,643,621</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows - pensions	8,805,847
Total deferred outflows of resources	<u>8,805,847</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	1,447,626
Interest payable on long-term liabilities	224,834
Long-term liabilities, due within one year:	
Capital related liabilities	895,385
Long-term liabilities, due beyond one year:	
Capital related liabilities	25,557,323
Non-capital related liabilities	189,800
Net pension liability	41,375,617
Total Liabilities	<u>69,690,585</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	109,947
Total deferred inflows of resources	<u>109,947</u>
<b>Net Position</b>	
Net investment in capital assets	9,685,727
Restricted for:	
Expendable:	
School-based activities	1,175,000
Debt service	1,372,945
Capital improvements	1,965,480
Forestry improvements	239,487
Unemployment benefits	53,905
Non-expendable:	
Sixteenth section	105,137
Unrestricted	(26,948,745)
Total Net Position	<u>\$ (12,351,064)</u>

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

**NESHOBA COUNTY SCHOOL DISTRICT**

**Statement of Activities**

**For the Year Ended June 30, 2017**

**Exhibit B**

						Net (Expense) Revenue and Changes in Net Position
		Program Revenues				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities
Governmental Activities:						
Instruction	\$ 13,916,196	\$ 289,293	\$ 2,202,075	\$ -		\$ (11,424,828)
Support services	7,357,124	7,223	713,555	-		(6,636,346)
Non-instructional	1,653,065	357,976	1,499,404	-		204,315
Sixteenth section	91,986	18,660	-	-		(73,326)
Pension expense	5,479,694	-	-	-		(5,479,694)
Interest on long-term liabilities	815,253	-	153,336	-		(661,917)
Total Governmental Activities	\$ 29,313,318	\$ 673,152	\$ 4,568,370	\$ -		\$ (24,071,796)

**General Revenues:**

**Taxes:**

General purpose levies

3,651,728

Debt purpose levies

726,357

**Unrestricted grants and contributions:**

State

16,900,504

Federal

592,302

Unrestricted investment earnings

31,876

Sixteenth section sources

255,434

Other

118,895

**Total General Revenues**

**22,277,096**

Change in Net Position

(1,794,700)

Net Position - Beginning, as previously reported

(10,541,841)

Prior Period Adjustments

(14,523)

Net Position - Beginning, as restated

(10,556,364)

Net Position - Ending

**\$ (12,351,064)**

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

**NESHOBA COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**Balance Sheet**  
**June 30, 2017**

**Exhibit C**

	Major Funds				Total
	General	New HS/ADA	COPS	Other	Total
	Fund	Renovation	Construction	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 5,581,149	\$ 446,006	\$ 2,744,778	\$ 1,547,218	\$ 10,319,151
Cash with fiscal agents	-	-	-	159,601	159,601
Investments	-	-	-	1,240,013	1,240,013
Due from other governments	253,813	-	-	504,991	758,804
Other receivables, net	7,193	-	-	-	7,193
Due from other funds	290,905	781,298	-	-	1,072,203
Inventories	-	-	-	20,424	20,424
Total assets	6,133,060	1,227,304	2,744,778	3,472,247	13,577,389
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 202,875	\$ 1,227,304	\$ -	\$ 17,447	\$ 1,447,626
Due to other funds	-	-	781,298	290,905	1,072,203
Total Liabilities	202,875	1,227,304	781,298	308,352	2,519,829
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Inventory	-	-	-	20,424	20,424
Permanent fund principal	-	-	-	105,137	105,137
<b>Restricted:</b>					
Debt service	-	-	-	1,597,779	1,597,779
Capital projects	-	-	1,963,480	2,000	1,965,480
Forestry improvement purposes	-	-	-	239,487	239,487
Grant activities	9,413	-	-	1,145,163	1,154,576
Unemployment benefits	-	-	-	53,905	53,905
<b>Assigned:</b>					
Vocational	115,376	-	-	-	115,376
Student activities	485,616	-	-	-	485,616
Building improvements	47,889	-	-	-	47,889
<b>Unassigned</b>	5,271,891	-	-	-	5,271,891
Total Fund Balances	5,930,185	-	1,963,480	3,163,895	11,057,560
Total Liabilities and Fund Balances	\$ 6,133,060	\$ 1,227,304	\$ 2,744,778	\$ 3,472,247	\$ 13,577,389

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

**NESHOBA COUNTY 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** \$ 11,057,560

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

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

Land	\$ 783,993	
Construction in progress	20,833,022	
Buildings	19,124,301	
Improvements other than buildings	2,737,430	
Mobile equipment	4,437,892	
Furniture and equipment	1,599,522	
Accumulated depreciation	<u>(13,377,725)</u>	36,138,435

- Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:

Net pension liability	(41,375,617)	
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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	8,805,847	
Deferred inflows of resources related to pensions	<u>(109,947)</u>	(32,679,717)

- 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	(13,720,000)	
Limited obligation bonds	(625,000)	
Certificates of participation payable	(9,300,000)	
Unamortized discount	192,292	
Qualified school construction bonds	(3,000,000)	
Compensated absences payable	(189,800)	
Accrued interest payable	<u>(224,834)</u>	(26,867,342)

<b>Net position of governmental activities</b>		<u><u>\$ (12,351,064)</u></u>
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The accompanying notes to financial statements are an integral part of these financial statements.

**NESHOBA COUNTY SCHOOL DISTRICT**

**Governmental Funds**

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

**Exhibit D**

**For the Year Ended June 30, 2017**

	Major Funds				
	General	New HS/ADA	COPS	Other	Total
	Fund	Renovation	Construction	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
<b>Revenues:</b>					
Local sources	\$ 4,074,388	\$ 8,326	\$ 8,560	\$ 1,083,416	\$ 5,174,690
State sources	16,565,009	-	-	873,523	17,438,532
Federal sources	587,802	-	-	4,034,841	4,622,643
Sixteenth section sources	262,880	-	-	19,873	282,753
Total Revenues	<u>21,490,079</u>	<u>8,326</u>	<u>8,560</u>	<u>6,011,653</u>	<u>27,518,618</u>
<b>Expenditures:</b>					
Instruction	12,564,542	-	-	2,559,417	15,123,959
Support services	7,367,061	-	-	637,316	8,004,377
Noninstructional services	1,670	-	-	1,705,965	1,707,635
Sixteenth section	41,601	-	-	50,385	91,986
Facilities acquisition and construction	-	16,019,428	-	-	16,019,428
Debt service:					
Principal	-	-	-	640,847	640,847
Interest	-	-	-	717,081	717,081
Other	-	51,750	121,500	4,050	177,300
Total Expenditures	<u>19,974,874</u>	<u>16,071,178</u>	<u>121,500</u>	<u>6,315,061</u>	<u>42,482,613</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>1,515,205</u>	<u>(16,062,852)</u>	<u>(112,940)</u>	<u>(303,408)</u>	<u>(14,963,995)</u>
<b>Other Financing Sources (Uses):</b>					
Bonds and notes issued	-	-	9,300,000	-	9,300,000
Insurance recovery	49,608	-	-	-	49,608
Payment to escrow agent	-	-	-	(201,300)	(201,300)
Payment held by escrow agent	-	-	-	201,300	201,300
Discount on bonds and notes issued	-	-	(192,292)	-	(192,292)
Sale of transportation equipment	5,945	-	-	-	5,945
Sale of other property	12,497	-	-	-	12,497
Operating transfers in	26,103	7,476,788	-	523,938	8,026,829
Operating transfers out	(969,438)	-	(7,031,288)	(26,103)	(8,026,829)
Total Other Financing Sources (Uses)	<u>(875,285)</u>	<u>7,476,788</u>	<u>2,076,420</u>	<u>497,835</u>	<u>9,175,758</u>
Net Change in Fund Balances	<u>639,920</u>	<u>(8,586,064)</u>	<u>1,963,480</u>	<u>194,427</u>	<u>(5,788,237)</u>
Fund Balances:					
July 1, 2016	<u>5,290,265</u>	<u>8,586,064</u>	<u>-</u>	<u>2,972,702</u>	<u>16,849,031</u>
Increase (Decrease) in reserve for inventory	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,234)</u>	<u>(3,234)</u>
June 30, 2017	<u>\$ 5,930,185</u>	<u>\$ -</u>	<u>\$ 1,963,480</u>	<u>\$ 3,163,895</u>	<u>\$ 11,057,560</u>

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

**NESHOBA COUNTY 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** \$ (5,788,237)

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	\$ 16,594,571	
Depreciation expense	<u>(984,195)</u>	15,610,376

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. (77,726)

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:

Bonds and notes issued	(9,300,000)	
Discount on bonds and notes issued	192,292	
Payments of debt principal	640,847	
Accrued interest payable	<u>79,128</u>	(8,387,733)

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. These activities include:

Pension expense	(5,479,694)	
Contributions subsequent to the measurement date	<u>2,294,128</u>	(3,185,566)

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	37,420	
Change in inventory reserve	<u>(3,234)</u>	34,186

**Change in net position of governmental activities** \$ (1,794,700)

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



**NESHOBA COUNTY SCHOOL DISTRICT**

**Fiduciary Funds**

**Statement of Fiduciary Net Position**

**Exhibit E**

**June 30, 2017**

	Private-Purpose Trust Funds	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 50,902	\$ 1,400,720
Total Assets	<u>50,902</u>	<u><u>1,400,720</u></u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	-	\$ 1,245,532
Due to student clubs	-	155,188
Total Liabilities	<u>-</u>	<u><u>\$ 1,400,720</u></u>
<b>Net Position</b>		
Reserved for endowments	<u>50,902</u>	
Total Net Position	<u><u>\$ 50,902</u></u>	

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

**NESHOBA COUNTY SCHOOL DISTRICT**

**Fiduciary Funds**

**Statement of Changes in Fiduciary Net Position  
For the Year Ended June 30, 2017**

**Exhibit F**

	Private-Purpose Trust Funds
<b>Additions</b>	
Interest on investments	\$ 130
Total Additions	<u>130</u>
<b>Deductions</b>	
Scholarships awarded	<u>1,000</u>
Total Deductions	<u>1,000</u>
Change in Net Position	<u>(870)</u>
<b>Net Position</b>	
July 1, 2016	<u>51,772</u>
June 30, 2017	<u>\$ 50,902</u>

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

# NESHOBA COUNTY SCHOOL DISTRICT

## Notes to Financial Statements

### **Note 1 – Summary of Significant Accounting Policies**

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

#### **A. Financial Reporting Entity**

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

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

Blended component unit

The Neshoba County School District Finance Corporation ("the Corporation") 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 Corporation is governed by a three 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 Corporation'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 (see Note 13).

#### **B. Government-wide and Fund Financial Statements**

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

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

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

# NESHOBA COUNTY SCHOOL DISTRICT

## Notes to Financial Statements

### **Note 1 – Summary of Significant Accounting Policies (Continued)**

2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two 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.

New HS/ADA Renovation Fund – This is a capital projects fund used to account for the bond proceeds issued for the construction or renovation of major capital facilities.

COPS Construction Fund – This is a capital projects fund used to account for the certificates of participation issued for the construction of major capital facilities.

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

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

The District's fiduciary funds include the following:

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

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

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

Scholarship Trust Funds – These funds are private purpose trust funds used to account for scholarship endowments.

NESHOBA COUNTY SCHOOL DISTRICT

Notes to Financial Statements

**Note 1 – Summary of Significant Accounting Policies (Continued)**

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**

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

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

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

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

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

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

NESHOBA COUNTY SCHOOL DISTRICT

Notes to Financial Statements

**Note 1 – Summary of Significant Accounting Policies (Continued)**

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.

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

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

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

**D. Encumbrances**

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

**E. Assets, liabilities, 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.

NESHOBA COUNTY SCHOOL DISTRICT

Notes to Financial Statements

**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

NESHOBA COUNTY SCHOOL DISTRICT

Notes to Financial Statements

**Note 1 – Summary of Significant Accounting Policies (Continued)**

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. The school district has incurred a deferred outflow which is presented as a deferred outflow related to pensions.

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

See Note 18 for further details.

**8. Compensated Absences**

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

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



NESHOBA COUNTY SCHOOL DISTRICT

Notes to Financial Statements

**Note 1 – Summary of Significant Accounting Policies (Continued)**

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:

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

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

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

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

# NESHOBA COUNTY SCHOOL DISTRICT

## Notes to Financial Statements

### **Note 1 – Summary of Significant Accounting Policies (Continued)**

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

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

### **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 \$10,319,151 and \$1,451,622, respectively.

# NESHOBA COUNTY SCHOOL DISTRICT

## Notes to Financial Statements

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

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

#### Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$159,601.

#### Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
QSCB Construction Bonds Common Trust Funds 2012	Aaa	Varies - Averages 5 years	\$ 1,240,013
Total			<u>\$ 1,240,013</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:

- QSCB Construction Bonds Common Trust Funds 2012 type of investments of \$1,240,013 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.

NESHOPA COUNTY SCHOOL DISTRICT

Notes to Financial Statements

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

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

Issuer	Fair Value	% of Total Investments
QSCB Construction Bonds Common Trust Funds 2012	\$ 1,240,013	100%

**Note 3 – Inter-fund Receivables, Payables and Transfers**

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

**A. Due From/To Other Funds**

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	\$ 290,905
New HS/ADA Renovation Fund	COPS Construction Fund	781,298
Total		<u>\$ 1,072,203</u>

The primary purpose of the inter-fund balances is to eliminate deficit cash balances in pooled bank accounts caused by negative federal program fund cash flows and to recognize the effects of inter-fund loans between funds.

**B. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	New HS/ADA Renovation Fund	\$ 445,500
	Other governmental funds	523,938
COPS Construction Fund	New HS/ADA Renovation Fund	7,031,288
Other governmental funds	General Fund	26,103
Total		<u>\$ 8,026,829</u>

The transfers constitute transfers of indirect costs from special revenue funds to the General Fund and operating transfers between governmental funds.

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance, totaling \$105,137, \$446,006, and \$2,744,778, of the Sixteenth Section Principal Fund (Permanent Fund), the New HS/ADA Renovation Fund (Capital Projects Fund), and the COPS Construction Fund (Capital Projects Fund), which are legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash with fiscal agents balance totaling \$159,595 of the MAEP Debt Service Fund. Also included in restricted assets are the cash with fiscal agents and investment balance, totaling \$6 and \$1,240,013, respectively, of the QSCB Bond Retirement Fund.

NESHOPA COUNTY SCHOOL DISTRICT

Notes to Financial Statements

**Note 5 – Capital Assets**

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

	Balance 7/1/2016	Increases	Decreases	Adjustments	Balance 6/30/2017
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 783,993	\$ -	\$ -	\$ -	\$ 783,993
Construction-in-progress	4,813,594	16,019,428	-	-	20,833,022
Total non-depreciable capital assets	5,597,587	16,019,428	-	-	21,617,015
<u>Depreciable capital assets:</u>					
Buildings	19,214,301	-	90,000	-	19,124,301
Improvements other than buildings	2,690,740	46,690	-	-	2,737,430
Mobile equipment	4,304,260	314,692	181,060	-	4,437,892
Furniture and equipment	1,277,289	213,761	25,852	134,324	1,599,522
Leased property under capital leases	148,847	-	-	(148,847)	-
Total depreciable capital assets	27,635,437	575,143	296,912	(14,523)	27,899,145
<u>Less accumulated depreciation for:</u>					
Buildings	7,247,029	440,420	36,000	-	7,651,449
Improvements other than buildings	1,593,446	97,795	-	-	1,691,241
Mobile equipment	2,804,783	243,135	162,954	-	2,884,964
Furniture and equipment	820,099	202,845	20,232	147,359	1,150,071
Leased property under capital leases	147,359	-	-	(147,359)	-
Total accumulated depreciation	12,612,716	984,195	219,186	-	13,377,725
Total depreciable capital assets, net	15,022,721	(409,052)	77,726	(14,523)	14,521,420
Governmental activities capital assets, net	\$ 20,620,308	\$ 15,610,376	\$ 77,726	\$ (14,523)	\$ 36,138,435

An adjustment was made during the year to correct a prior period error in fixed assets and to move leased property under capital lease as furniture and equipment due to the payoff of the capital lease.

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 439,554
Support services	528,926
Non-instructional	15,715
Total depreciation expense - Governmental activities	<u>\$ 984,195</u>

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

	Spent to June 30, 2017	Remaining Commitment
<b>Governmental Activities:</b>		
New High School	\$ 20,833,022	\$ 1,449,961
Total governmental activities	<u>\$ 20,833,022</u>	<u>\$ 1,449,961</u>

Construction projects included in governmental activities are funded with proceeds from the issuance of general obligation bonds and certificates of participation to be used for a new high school and other improvements.

NESHOPA COUNTY SCHOOL DISTRICT

Notes to Financial Statements

**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2016	Additions	Reductions	Balance 6/30/2017	Amounts due within one year
A. General obligation bonds payable	\$ 14,000,000	\$ -	\$ 280,000	\$ 13,720,000	\$ 280,000
B. Limited obligation bonds payable	915,000	-	290,000	625,000	625,000
C. Certificates of participation payable	-	9,300,000	-	9,300,000	-
Discount	-	(192,292)	-	(192,292)	(9,615)
D. Obligations under capital leases	38,738	-	38,738	-	-
E. Obligations under energy efficiency leases	32,109	-	32,109	-	-
F. Qualified school construction bonds payable	3,000,000	-	-	3,000,000	-
G. Compensated absences payable	227,220	-	37,420	189,800	-
Total	<u>\$ 18,213,067</u>	<u>\$ 9,107,708</u>	<u>\$ 678,267</u>	<u>\$ 26,642,508</u>	<u>\$ 895,385</u>

**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:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. General obligation bonds, Series 2015	2.375-3.25%	11/12/2015	11/1/2035	\$ 9,000,000	\$ 8,820,000
2. General obligation bonds, Series 2016	2.25-3.00%	5/11/2016	5/1/2036	5,000,000	4,900,000
Total				<u>\$ 14,000,000</u>	<u>\$ 13,720,000</u>

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

1. General obligation bond issue of November 12, 2015:

Year Ending June 30	Principal	Interest	Total
2018	\$ 180,000	\$ 248,006	\$ 428,006
2019	180,000	242,606	422,606
2020	180,000	237,206	417,206
2021	180,000	231,806	411,806
2022	360,000	223,706	583,706
2023 – 2027	1,800,000	964,856	2,764,856
2028 – 2032	2,730,000	692,150	3,422,150
2033 – 2036	3,210,000	206,247	3,416,247
Total	<u>\$ 8,820,000</u>	<u>\$ 3,046,583</u>	<u>\$ 11,866,583</u>

This debt will be retired from the General Obligation Bond 2015 Fund (debt service fund).

NESHOPA COUNTY SCHOOL DISTRICT

Notes to Financial Statements

**Note 6 – Long-term Liabilities (Continued)**

2. General obligation bond issue of May 11, 2016:

Year Ending June 30	Principal	Interest	Total
2018	\$ 100,000	\$ 133,150	\$ 233,150
2019	100,000	130,150	230,150
2020	100,000	127,150	227,150
2021	100,000	124,150	224,150
2022	215,000	121,150	336,150
2023 – 2027	1,175,000	505,100	1,680,100
2028 – 2032	1,525,000	342,836	1,867,836
2033 – 2036	1,585,000	110,414	1,695,414
Total	<u>\$ 4,900,000</u>	<u>\$ 1,594,100</u>	<u>\$ 6,494,100</u>

This debt will be retired from the General Obligation Bond 2016 Fund (debt service fund).

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2018	\$ 280,000	\$ 381,156	\$ 661,156
2019	280,000	372,756	652,756
2020	280,000	364,356	644,356
2021	280,000	355,956	635,956
2022	575,000	344,856	919,856
2023 – 2027	2,975,000	1,469,956	4,444,956
2028 – 2032	4,255,000	1,034,986	5,289,986
2033 – 2036	4,795,000	316,661	5,111,661
Total	<u>\$ 13,720,000</u>	<u>\$ 4,640,683</u>	<u>\$ 18,360,683</u>

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 12.4% of property assessments as of October 1, 2016.

NESHOPA COUNTY SCHOOL DISTRICT

Notes to Financial Statements

**Note 6 – Long-term Liabilities (Continued)**

**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 refunding bonds	3.00-4.00%	2/1/2010	2/1/2018	\$ 2,430,000	\$ 625,000
Total				<u>\$ 2,430,000</u>	<u>\$ 625,000</u>

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 625,000	\$ 19,000	\$ 644,000
Total	<u>\$ 625,000</u>	<u>\$ 19,000</u>	<u>\$ 644,000</u>

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

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

**C. Certificates of participation payable**

As more fully explained in Note 13, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Certificates of participation payable	3.00-5.00%	2/1/2017	2/1/2037	\$ 9,300,000	\$ 9,300,000
Total				<u>\$ 9,300,000</u>	<u>\$ 9,300,000</u>



NESHOPA COUNTY SCHOOL DISTRICT

Notes to Financial Statements

**Note 6 – Long-term Liabilities (Continued)**

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

Year Ending June 30	Principal	Interest	Total
2018	\$ -	\$ 370,561	\$ 370,561
2019	-	380,062	380,062
2020	360,000	380,063	740,063
2021	385,000	362,063	747,063
2022	400,000	342,812	742,812
2023 – 2027	2,475,000	1,456,714	3,931,714
2028 – 2032	2,915,000	953,468	3,868,468
2033 – 2037	2,765,000	422,162	3,187,162
Total	\$ 9,300,000	\$ 4,667,905	\$ 13,967,905

This debt will be retired from the Cert of Part/Debt Service Fund (debt service fund).

**D. Obligations under capital leases**

This debt was retired during the year.

**E. Obligations under energy efficiency leases**

This debt was retired during the year.

**F. Qualified school construction bonds payable**

As more fully explained in Note 14, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified School Construction Bond	6.03%	12/17/2010	12/17/2025	\$ 3,000,000	\$ 3,000,000
Total				<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>

# NESHOPA COUNTY SCHOOL DISTRICT

## Notes to Financial Statements

### Note 6 – Long-term Liabilities (Continued)

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

Year Ending June 30	Principal	Interest	Total
2018	\$ -	\$ 180,900	\$ 180,900
2019	-	180,900	180,900
2020	-	180,900	180,900
2021	-	180,900	180,900
2022	-	180,900	180,900
2023 – 2026	3,000,000	723,600	3,723,600
Total	\$ 3,000,000	\$ 1,628,100	\$ 4,628,100

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

### G. Compensated absences payable

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

### Note 7 – Other Commitments

Commitments under construction contracts are described in Note 5.

Operating leases:

The school district has several operating leases for the following:

1. Thirteen (13) copy machines
2. Two (2) postage meters
3. One (1) drivers' education vehicle

Lease expenditures for the year ended June 30, 2017, amounted to \$43,717.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2018	\$ 29,489
2019	7,065
2020	2,311
2021	287
Total	\$ 39,152

# NESHOBA COUNTY SCHOOL DISTRICT

## Notes to Financial Statements

### 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.

*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 \$2,294,128, \$2,333,869 and \$2,274,354, 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 \$41,375,617 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2017 net pension liability was 0.231634 percent, which was based on a measurement date of June 30, 2016. This was an increase of 0.000493 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.

NESHOPA COUNTY SCHOOL DISTRICT

Notes to Financial Statements

**Note 8 – Defined Benefit Pension Plan (Continued)**

For the year ended June 30, 2017, the District recognized pension expense of \$5,479,694. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,100,408	\$
Net difference between projected and actual earnings on pension plan investments	2,875,119	
Changes of assumptions	1,946,385	109,947
Changes in proportion and differences between District contributions and proportionate share of contributions	589,807	
District contributions subsequent to the measurement date	2,294,128	
Total	\$ <u>8,805,847</u>	\$ <u>109,947</u>

\$2,294,128 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	
2018	\$ 2,380,664
2019	1,746,877
2020	1,456,845
2021	<u>817,386</u>
Total	\$ <u>6,401,772</u>

*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.

NESHOPA COUNTY SCHOOL DISTRICT

Notes to Financial Statements

**Note 8 – Defined Benefit Pension Plan (Continued)**

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

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

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

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 53,052,817	\$ 41,375,617	\$ 31,687,325

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

# NESHOPA COUNTY SCHOOL DISTRICT

## Notes to Financial Statements

### Note 9 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2018	\$ 140,130
2019	127,016
2020	109,301
2021	88,405
2022	84,421
2023 – 2027	404,922
2028 – 2032	307,157
2033 – 2037	245,373
2038 – 2042	175,375
Thereafter	108,993
Total	<u>\$ 1,791,093</u>

### Note 10 – Prior Period Adjustments

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

#### Exhibit B - Statement of Activities

Explanation	Amount
1. To correct prior period error in recording assets	\$ (14,523)
Total	<u>\$ (14,523)</u>

### Note 11 – Contingencies

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

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

## NESHOBA COUNTY SCHOOL DISTRICT

### Notes to Financial Statements

#### **Note 12 – Risk Management**

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

##### **Participation in Public Entity Risk Pool**

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

#### **Note 13 – Trust Certificates**

A trust agreement dated February 1, 2017, was executed by and between the school district and Trustmark National Bank as trustees.

The trust agreement authorized the issuance of trust certificates in the par principal amount of \$9,300,000, less discounts in the amount of \$192,292. Approximately \$8,935,708 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$172,000 was used to pay the cost of issuance.

The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, *et seq.*, Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 6 for details regarding the debt service requirement on the trust certificates.

Using the guidance provided in Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, fund balances, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

# NESHOBA COUNTY SCHOOL DISTRICT

## Notes to Financial Statements

### Note 14 – Qualified School Construction Bonds

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

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. For the year ended June 30, 2017, the subsidy payments amounted to \$153,336.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2017 was \$1,240,019. The amount accumulated in the sinking fund at the end of the seventeen-year period is expected to be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2018	\$ 201,300
2019	201,300
2020	201,300
2021	201,300
2022	201,300
2023 – 2026	785,700
Total	<u>\$ 1,792,200</u>

### Note 15 – Alternative School Consortium

The school district entered into an Alternative School Agreement dated August 19, 1994, creating the East Central Alternative School Consortium. This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the Newton County School District, Forest Municipal School District, Philadelphia Public School District, Scott County School District, Neshoba County School District, Enterprise Public School District and Kemper County School District.

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

The Newton County School District has been designated as the lead school district for the East Central Alternative School Consortium, and the operations of the consortium are included in its financial statements.



# NESHOBA COUNTY SCHOOL DISTRICT

## Notes to Financial Statements

### Note 16 – Vocational School Consortium

The school district entered into a Vocational Educational Agreement dated August 17, 1982, creating the Philadelphia-Neshoba Vocational-Technical Center. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the Neshoba County School District, Philadelphia Public School District and East Central Community College.

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

East Central Community College has been designated as the fiscal agent for the Philadelphia-Neshoba Vocational-Technical Center, and the operations of the consortium are included in its financial statements.

### Note 17 - Insurance loss recoveries

The Neshoba County School District received \$49,608 in insurance loss recoveries related to property damage during the 2016-2017 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as a reduction in expenditures and allocated among the expense functions based on the following percentages:

Insurance Loss		Percentage	Expense Function
Recoveries			
\$	49,608	100%	Support services
\$	49,608	100%	

### Note 18 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$26,948,745) includes the effect of deferring the recognition of expenses from a deferred outflow from pensions. The \$8,805,847 balance of the deferred outflow of resources at June 30, 2017 will be recognized as an expense and will decrease the unrestricted net position over the next four (4) years.

The unrestricted net position amount of (\$26,948,745) includes the effect of deferring the recognition of revenues resulting from a deferred inflow from pensions. The \$109,947 balance of the deferred inflow of resources at June 30, 2017 will be recognized as revenue and will increase the unrestricted net position over the next three (3) years.

### Note 19 - 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 Neshoba County School District evaluated the activity of the district through January 31, 2018, and determined that no subsequent event has occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**NESHOBA COUNTY SCHOOL DISTRICT**

**Required Supplementary Information**

**Budgetary Comparison Schedule**

**General Fund**

**For the Year Ended June 30, 2017**

Of the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 4,724,734	\$ 4,897,727	\$ 4,074,388	\$ 172,993	\$ (823,339)
State sources	16,812,878	16,565,037	16,565,009	(247,841)	(28)
Federal sources	615,000	587,804	587,802	(27,196)	(2)
Sixteenth section sources	295,200	263,091	262,880	(32,109)	(211)
Total Revenues	22,447,812	22,313,659	21,490,079	(134,153)	(823,580)
<b>Expenditures:</b>					
Instruction	13,697,546	12,661,093	12,564,542	1,036,453	96,551
Support services	8,071,862	7,502,987	7,367,061	568,875	135,926
Noninstructional services	500	1,700	1,670	(1,200)	30
Sixteenth section	52,788	41,637	41,601	11,151	36
Total Expenditures	21,822,696	20,207,417	19,974,874	1,615,279	232,543
Excess (Deficiency) of Revenues over (under) Expenditures	625,116	2,106,242	1,515,205	1,481,126	(591,037)
<b>Other Financing Sources (Uses):</b>					
Insurance recovery	41,690	49,608	49,608	7,918	-
Sale of transportation equipment	10,000	5,945	5,945	(4,055)	-
Sale of other property		12,498	12,497	12,498	(1)
Operating transfers in	1,538,387	883,178	26,103	(655,209)	(857,075)
Operating transfers out	(2,625,987)	(2,516,625)	(969,438)	109,362	1,547,187
Total Other Financing Sources (Uses)	(1,035,910)	(1,565,396)	(875,285)	(529,486)	690,111
Net Change in Fund Balances	(410,794)	540,846	639,920	951,640	99,074
Fund Balances:					
July 1, 2016	5,359,619	5,290,264	5,290,265	(69,355)	1
June 30, 2017	\$ 4,948,825	\$ 5,831,110	\$ 5,930,185	\$ 882,285	\$ 99,075

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

**NESHOBA COUNTY SCHOOL DISTRICT**

**Required Supplementary Information**

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

**PERS**

**Last 10 Fiscal Years\***

	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>
District's proportion of the net pension liability (asset)	0.231634%	0.231141%	0.223056%
District's proportionate share of the net pension liability (asset)	\$ 41,375,617	35,729,840	27,074,914
District's covered payroll	14,818,216	14,440,343	13,629,873
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	57%	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.

**NESHOBA COUNTY SCHOOL DISTRICT****Required Supplementary Information****SCHEDULE OF DISTRICT CONTRIBUTIONS****PERS****Last 10 Fiscal Years**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	2,294,128	2,333,869	2,274,354
Contributions in relation to the contractually required contribution	\$ 2,294,128	2,333,869	2,274,354
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	14,565,892	14,818,216	14,440,343
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.

NESHOBA COUNTY SCHOOL DISTRICT

Notes to 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 consistent with accounting principles generally accepted in the United States of America.

Pension Schedules

(1) Changes of assumptions

2015:

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

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

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

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

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

2016:

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

(2) Changes in benefit provisions

2016:

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

SUPPLEMENTARY INFORMATION

**NESHOBA COUNTY SCHOOL DISTRICT**

**Supplementary Information**

**Schedule of Expenditures of Federal Awards**

**For the Year Ended June 30, 2017**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
Healthy US school grant	10.543	\$ 4,500
School breakfast program	10.553	301,775
National school lunch program	10.555	1,189,793
Total child nutrition cluster		<u>1,496,068</u>
Total passed-through Mississippi Department of Education		<u>1,496,068</u>
<b>Total U.S. Department of Agriculture</b>		<u>1,496,068</u>
<b><u>U.S. Department of Defense</u></b>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	73,138
<b>Total U.S. Department of Defense</b>		<u>73,138</u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	4,856
<b>Total Federal Communications Commission</b>		<u>4,856</u>
<b><u>U.S. Department of Education</u></b>		
Direct Program:		
Impact aid	84.041	48,858
Total direct programs		<u>48,858</u>
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	1,203,840
Career and technical education - basic grants to states	84.048	44,678
Rural education	84.358	46,816
Improving teacher quality-State Grants	84.367	202,175
Subtotal		<u>1,497,509</u>
Special education cluster:		
Special education - grants to states	84.027	734,132
Special education - preschool grants	84.173	19,780
Total special education cluster		<u>753,912</u>
Total passed-through Mississippi Department of Education		<u>2,251,421</u>
<b>Total U.S. Department of Education</b>		<u>2,300,279</u>
Total for All Federal Awards		<u>\$ 3,874,341</u>

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



NESHOBA COUNTY SCHOOL DISTRICT

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

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

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

(2) Summary of Significant Accounting Policies

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

(3) Indirect Cost Rate

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

(4) Noncash Awards – Commodities

The amount of donated commodities reported on the schedule is the value of donated commodities received by the District and reported under the National School Lunch Program CFDA #10.555. The value of the commodities received during the fiscal year was \$140,835.

**NESHOBA COUNTY SCHOOL DISTRICT**

**Supplementary Information**

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

**For the Year Ended June 30, 2017**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 19,989,694	15,201,246	1,234,638	1,164,794	2,389,016
Other	22,492,919	1,742,098	172,638	37,374	20,540,809
Total	<u>\$ 42,482,613</u>	<u>16,943,344</u>	<u>1,407,276</u>	<u>1,202,168</u>	<u>22,929,825</u>
Total number of students *	<u>2,965</u>				
Cost per student	<u>\$ 14,328</u>	<u>5,714</u>	<u>475</u>	<u>405</u>	<u>7,734</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

**NESHOBA COUNTY SCHOOL DISTRICT**

**Other Information**

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

**General Fund**

**Last Four Years**

**UNAUDITED**

	2017	2016*	2015*	2014*
<b>Revenues:</b>				
Local sources	\$ 4,074,388	\$ 3,639,452	\$ 3,547,466	\$ 3,629,785
State sources	16,565,009	16,300,624	15,126,397	14,684,481
Federal sources	587,802	834,217	416,779	322,484
Sixteenth section sources	262,880	436,611	768,032	-
Total Revenues	21,490,079	21,210,904	19,858,674	18,636,750
<b>Expenditures:</b>				
Instruction	12,564,542	13,285,625	13,009,802	12,789,936
Support services	7,367,061	7,471,412	7,321,056	6,715,022
Noninstructional services	1,670	500	500	1,000
Sixteenth section	41,601	102,148	240,272	-
Facilities acquisition and construction	-	-	706,010	-
Total Expenditures	19,974,874	20,859,685	21,277,640	19,505,958
Excess (Deficiency) of Revenues over (under) Expenditures	1,515,205	351,219	(1,418,966)	(869,208)
<b>Other Financing Sources (Uses):</b>				
Capital leases issued	-	-	-	191,752
Insurance recovery	49,608	14,676	7,522	-
Sale of transportation equipment	5,945	-	9,472	9,407
Sale of other property	12,497	-	-	-
Operating transfers in	26,103	765,036	33,996	169,075
Operating transfers out	(969,438)	(699,958)	(723,611)	(571,441)
Other financing uses	-	-	-	(200)
Total Other Financing Sources (Uses)	(875,285)	79,754	(672,621)	(201,407)
Net Change in Fund Balances	639,920	430,973	(2,091,587)	(1,070,615)
<b>Fund Balances:</b>				
Beginning of period, as previously reported	5,290,265	4,859,376	4,121,860	5,192,475
Fund reclassification	-	-	2,828,266	-
Prior period adjustments	-	(84)	837	-
Beginning of period, as restated	5,290,265	4,859,292	6,950,963	5,192,475
End of Period	\$ 5,930,185	\$ 5,290,265	\$ 4,859,376	\$ 4,121,860

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**NESHOBA COUNTY SCHOOL DISTRICT**

**Other Information**

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

**All Governmental Funds**

**Last Four Years**

**UNAUDITED**

	2017	2016*	2015*	2014*
<b>Revenues:</b>				
Local sources	\$ 5,174,690	\$ 4,033,537	\$ 3,944,286	\$ 4,040,997
State sources	17,438,532	17,127,215	16,008,648	15,555,082
Federal sources	4,622,643	4,772,350	4,201,179	3,850,021
Sixteenth section sources	282,753	492,024	881,323	822,558
Total Revenues	27,518,618	26,425,126	25,035,436	24,268,658
<b>Expenditures:</b>				
Instruction	15,123,959	15,687,776	15,406,891	14,962,575
Support services	8,004,377	8,128,857	7,995,699	7,411,939
Noninstructional services	1,707,635	1,720,781	1,653,537	1,658,698
Sixteenth section	91,986	196,629	331,953	86,802
Facilities acquisition and construction	16,019,428	4,554,134	706,010	-
Debt service:				
Principal	640,847	429,974	421,758	380,161
Interest	717,081	224,810	240,056	251,118
Other	177,300	258,949	3,050	3,050
Total Expenditures	42,482,613	31,201,910	26,758,954	24,754,343
Excess (Deficiency) of Revenues over (under) Expenditures	(14,963,995)	(4,776,784)	(1,723,518)	(485,685)
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	9,300,000	14,000,000	-	-
Capital leases issued	-	-	-	191,752
Insurance recovery	49,608	14,676	7,522	-
Payment held by escrow agent	201,300	201,300	201,300	201,904
Premium (discount) on bonds issued	(192,292)	131,477	-	-
Sale of transportation equipment	5,945	-	9,472	9,407
Sale of other property	12,497	-	-	-
Operating transfers in	8,026,829	1,464,994	757,607	921,416
Operating transfers out	(8,026,829)	(1,464,994)	(757,607)	(921,416)
Payment to debt escrow agent	(201,300)	(201,300)	(201,300)	(201,904)
Other financing uses	-	-	-	(275)
Total Other Financing Sources (Uses)	9,175,758	14,146,153	16,994	200,884
Net Change in Fund Balances	(5,788,237)	9,369,369	(1,706,524)	(284,801)
<b>Fund Balances:</b>				
Beginning of period, as previously reported	16,849,031	7,468,363	9,164,598	9,457,600
Prior period adjustments	-	9,916	842	-
Beginning of period, as restated	16,849,031	7,478,279	9,165,440	9,457,600
Increase (Decrease) in reserve for inventory	(3,234)	1,383	9,447	(8,201)
End of Period	\$ 11,057,560	\$ 16,849,031	\$ 7,468,363	\$ 9,164,598

\*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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

James L. Stafford, CPA	Thomas J. Browder, CPA
Harry W. Stevens, CPA	Stephen D. Flake, CPA
S. Keith Winfield, CPA	John N. Russell, CPA
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Kimberly S. Caskey, CPA	Clifford P. Stewart, CPA
Susan M. Lummus, CPA	

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

To the Superintendent and School Board  
Neshoba County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Neshoba County School District as of and for the year ended June 30, 2017, and the related notes to financial statements, which collectively comprise the Neshoba County School District's basic financial statements, and have issued our report thereon dated January 31, 2018.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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 Neshoba County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **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.

Philadelphia, Mississippi  
January 31, 2018

*Watkins Ward and Stafford, PLLC*





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

To the Superintendent and Board of Education  
Neshoba County School District

**Report on Compliance for Major Federal Program**

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

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

***Opinion on Major Federal Program***

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

## Report on Internal Control over Compliance

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

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

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

### Purpose of this Report

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

Philadelphia, Mississippi  
January 31, 2018

*Watkins Ward and Stafford, PLLC*

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS



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

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

Superintendent and School Board  
Neshoba County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Neshoba County School District as of and for the year ended June 30, 2017, which collectively comprise Neshoba County School District's basic financial statements and have issued our report thereon dated January 31, 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 did not disclose any instances of noncompliance with other state laws and regulations.

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

Philadelphia, Mississippi  
January 31, 2018

*Watkins Ward and Stafford, PLLC*

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NESHOBA COUNTY 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:  |   |
|    | <u>CFDA Numbers</u>  | <u>Name of Federal Program or Cluster</u> |
|    | 10.543/10.553/10.555   | Child Nutrition Cluster                   |
| 8. | Dollar threshold used to distinguish between type A and type B programs:                           | \$750,000                                 |
| 9. | Auditee qualified as low-risk auditee?   | Yes                                       |

NESHOBA COUNTY 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.