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North Panola School District

Audited Financial Statements
For the Year Ended June 30, 2017

Fortenberry & Ballard, PC
Certified Public Accountants

North Panola School District

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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL
STATEMENTS AND SUPPLEMENTARY INFORMATION

Superintendent and School Board
North Panola 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 North Panola School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the North Panola School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

1929 SPILLWAY ROAD, SUITE B
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

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 North Panola 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 8 to 18 and 56 to 63, 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 North Panola 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 August 21, 2018, on our consideration of the North Panola 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 North Panola 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 North Panola School District's internal control over financial reporting and compliance.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
August 21, 2018

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

North Panola School District
Management's Discussion and Analysis
For the Year Ended June 30, 2017

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

FINANCIAL HIGHLIGHTS

- Total net position for 2017 decreased \$1,235,550, which represents a 15% decrease from fiscal year 2016. Total net position for 2016 decreased \$34,014, including a prior period adjustment of (\$31,844), which represents a 0.42% decrease from fiscal year 2015.
- General revenues amounted to \$11,763,612 and \$12,149,529, or 74% and 75% 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 \$4,128,355, or 26% of total revenues for 2017, and \$4,071,046, or 25% of total revenues for 2016.
- The District had \$17,127,517 and \$16,222,745 in expenses for fiscal years 2017 and 2016; only \$4,128,355 for 2017 and \$4,071,046 for 2016 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$11,763,612 for 2017 and \$12,149,529 for 2016 were not adequate to provide for these programs.
- Among the major funds, the General Fund had \$10,958,166 in revenues and \$11,239,433 in expenditures for 2017, and \$11,166,448 in revenues and \$11,125,952 in expenditures for 2016. The General Fund's fund balance decreased by \$157,946, from 2016 to 2017, and increased by \$165,127, from 2015 to 2016.
- Capital assets, net of accumulated depreciation, decreased by \$248,850 for 2017 and decreased by \$345,185 for 2016. The decrease for 2017 was primarily due to the recording of depreciation expense during the year.
- Long-term debt decreased by \$388,049, including premiums, for 2017 and decreased by \$374,210, including premiums, for 2016. This decrease for 2017 was due primarily to principal payments made on outstanding long-term debt. The liability for compensated absences decreased by \$3,882 for 2017 and increased by \$6,598 for 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

North Panola School District
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Government-wide Financial Statements

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

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

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

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

North Panola School District
Management's Discussion and Analysis
For the Year Ended June 30, 2017

wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the District's near term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Position, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

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

North Panola School District
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$9,448,420 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.

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

North Panola School District
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Table 1
Condensed Statement of Net Position

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Current assets	\$ 5,296,348	5,391,778	(2)%
Restricted assets	771,018	621,301	24%
Capital assets, net	<u>6,815,612</u>	<u>7,064,462</u>	(4)%
Total assets	<u>12,882,978</u>	<u>13,077,541</u>	(1)%
 Deferred outflows of resources	 <u>4,703,567</u>	 <u>3,656,314</u>	 29%
 Current liabilities	 146,364	 168,159	 (13)%
Long-term debt outstanding	2,526,038	2,917,969	(13)%
Net pension liability	<u>24,297,996</u>	<u>20,794,757</u>	17%
Total liabilities	<u>26,970,398</u>	<u>23,880,885</u>	13%
 Deferred inflows of resources	 <u>64,567</u>	 <u>1,065,840</u>	 (94)%
 Net position:			
Net investment in capital assets	4,374,972	4,241,054	3%
Restricted	1,857,075	1,623,047	14%
Unrestricted	<u>(15,680,467)</u>	<u>(14,076,971)</u>	(11)%
Total net position (deficit)	<u><u>\$ (9,448,420)</u></u>	<u><u>(8,212,870)</u></u>	(15)%

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (15,680,467)
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>19,663,985</u>
Unrestricted net position, exclusive of the net pension liability effect	<u><u>\$ 3,983,518</u></u>

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

- Decrease in net capital assets in the amount of \$248,850.
- The principal retirement of \$383,317 of long-term debt.

North Panola School District
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Changes in net position

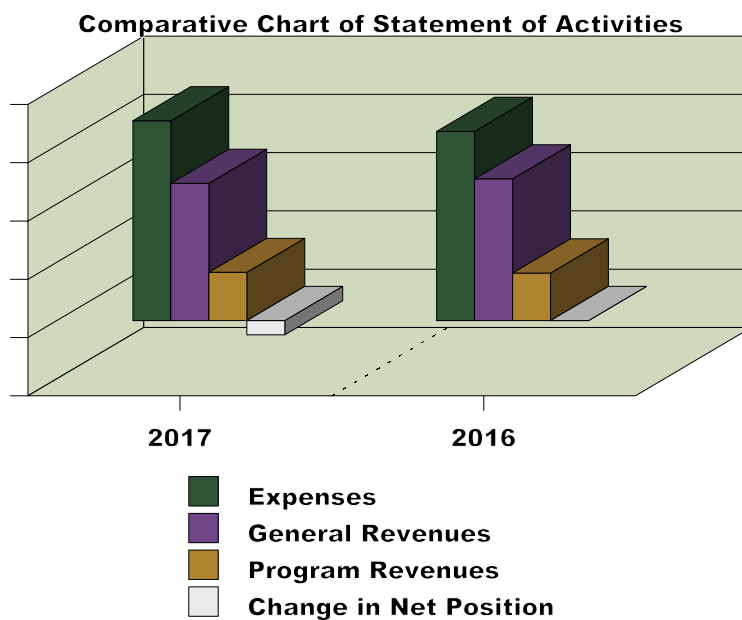
The District's total revenues for the fiscal years ended June 30, 2017 and June 30, 2016 were \$15,891,967 and \$16,220,575, respectively. The total cost of all programs and services was \$17,127,517 for 2017 and \$16,222,745 for 2016.

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

Table 2
Changes in Net Position

	Year Ended June 30, 2017	Year Ended June 30, 2016	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 232,431	213,226	9%
Operating grants and contributions	3,895,924	3,857,820	1%
Total program revenues	4,128,355	4,071,046	1%
General revenues:			
Property taxes	3,577,829	3,540,779	1%
Grants and contributions not restricted	8,074,166	8,406,266	(4)%
Unrestricted investment earnings	23,614	9,411	151%
Other	88,003	193,073	(54)%
Total general revenues	11,763,612	12,149,529	(3)%
Total revenues	15,891,967	16,220,575	(2)%
Expenses:			
Instruction	7,971,010	7,797,114	2%
Support services	5,254,860	5,381,934	(2)%
Non-instructional	981,026	1,182,310	(17)%
Pension expense	2,779,212	1,713,396	62%
Interest on long term liabilities	141,409	147,991	(4)%
Total expenses	17,127,517	16,222,745	6%
Change in net position	(1,235,550)	(2,170)	(56.838)%
Net Position (Deficit), July 1, as previously reported	(8,212,870)	(8,178,856)	0%
Prior period adjustment		(31,844)	100%
Net Position (Deficit) , July 1, as restated	(8,212,870)	(8,210,700)	0%
Net Position (Deficit), June 30	\$ (9,448,420)	(8,212,870)	(15)%

North Panola School District
Management's Discussion and Analysis
For the Year Ended June 30, 2017



Governmental activities

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

Table 3
Net Cost of Governmental Activities

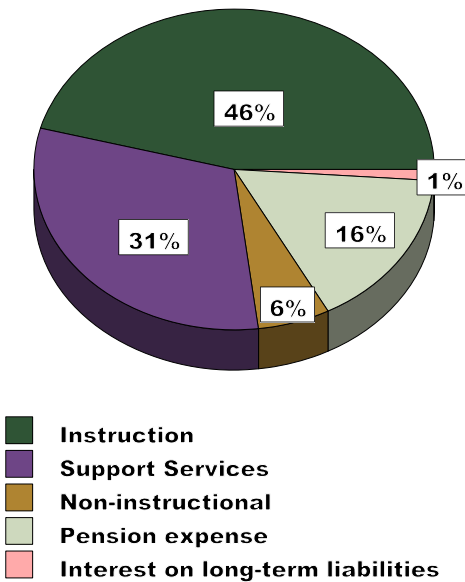
	<u>Total Expenses</u>		Percentage Change
	<u>2017</u>	<u>2016</u>	
Instruction	\$ 7,971,010	7,797,114	2%
Support services	5,254,860	5,381,934	(2)%
Non-instructional	981,026	1,182,310	(17)%
Pension expense	2,779,212	1,713,396	62%
Interest on long term liabilities	141,409	147,991	(4)%
Total expenses	<u><u>\$ 17,127,517</u></u>	<u><u>16,222,745</u></u>	<u><u>6%</u></u>

North Panola School District
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Net (Expense) Revenue

	<u>2017</u>	<u>2016</u>	<u>Percentage Change</u>
Instruction	\$ (6,597,034)	(6,417,129)	(3)%
Support services	(3,659,118)	(3,936,744)	7%
Non-instructional	177,611	63,561	179%
Pension expense	(2,779,212)	(1,713,396)	(62)%
Interest on long-term liabilities	(141,409)	(147,991)	4%
Total net (expense) revenue	\$ <u>(12,999,162)</u>	<u>(12,151,699)</u>	<u>(7)%</u>

Chart of Expenses as per Statement of Activities



- Net cost of governmental activities (\$12,999,162 for 2017 and \$12,151,699 for 2016) was financed by general revenue, which is primarily made up of property taxes (\$3,577,829 for 2017 and \$3,540,779 for 2016) and state and federal revenues of (\$8,074,166 for 2017 and \$8,406,266 for 2016).
- Investment earnings amounted to \$23,614 for 2017 and \$9,411 for 2016.

North Panola School District
Management's Discussion and Analysis
For the Year Ended June 30, 2017

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$5,994,789, an increase of \$71,346, including a decrease in inventory of \$7,794. \$4,046,450, or 67% 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 or assigned to specific purposes within the general fund. The remaining fund balance of \$1,948,339 or 33% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$157,946. The fund balance of Other Governmental Funds showed a decrease in the amount of \$13,383. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund		Increase (Decrease)
School Food Service Fund	\$	93,019
Title I A Basic Fund		no increase or decrease
EHA Part B Grant Fund		no increase or decrease
Educator In Residence Fund		no increase or decrease
NPSD 2010 Sinking Fund	\$	149,656

BUDGETARY HIGHLIGHTS

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

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

North Panola School District
Management's Discussion and Analysis
For the Year Ended June 30, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2017, the District's total capital assets were \$15,707,652, including land, school buildings, building improvements, improvements other than buildings, mobile equipment, buses, other school vehicles, furniture and equipment and leased property under capital leases. This amount represents an increase of \$94,101 from 2016. Total accumulated depreciation as of June 30, 2017, was \$8,892,040, and total depreciation expense for the year was \$373,569, resulting in total net capital assets of \$6,815,612.

Table 4
Capital Assets, Net Accumulated Depreciation

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Land	\$ 139,509	139,509	0%
Buildings	2,861,899	2,916,438	(2)%
Building Improvements	2,902,234	3,086,208	(6)%
Improvements other than buildings	61,544	64,855	(5)%
Mobile equipment	309,957	310,288	0%
Furniture and equipment	147,900	99,523	49%
Leased property under capital leases	392,569	447,641	(12)%
Total	\$ <u>6,815,612</u>	<u>7,064,462</u>	(4)%

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

Debt Administration. At June 30, 2017, the District had \$2,526,038 in outstanding long-term debt, of which \$392,206 is due within one year. The liability for compensated absences decreased \$3,882 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 275,000	545,000	(50)%
Premiums	4,471	9,203	(51)%
Obligations under capital leases	216,158	329,475	(34)%
Qualified school construction bonds payable	1,950,000	1,950,000	0%
Compensated absences payable	80,409	84,291	(5)%
Total	\$ <u>2,526,038</u>	<u>2,917,969</u>	(13)%

North Panola School District
Management's Discussion and Analysis
For the Year Ended June 30, 2017

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

CURRENT ISSUES

The North Panola School District is financially stable. The District is proud of its community support of the public schools.

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

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

Enrollment for the 2016-2017 year decreased by 6% to 1,245 students.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, is to be implemented in fiscal year 6/30/2018. At this point, we do not have enough information to judge the impact this will have on this school district.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report or need additional financial information, contact the Superintendent's Office of the North Panola School District, 470 Highway 51 North Sardis, MS 38666.

FINANCIAL STATEMENTS

NORTH PANOLA SCHOOL DISTRICT**STATEMENT OF NET POSITION**

JUNE 30, 2017

	Governmental Activities
Assets	
<i>Cash and cash equivalents</i>	\$ 4,763,020
<i>Due from other governments</i>	522,543
<i>Inventories</i>	10,785
<i>Restricted assets</i>	771,018
<i>Capital assets, non-depreciable:</i>	
<i>Land</i>	139,509
<i>Capital assets, net of accumulated depreciation:</i>	
<i>Buildings</i>	2,861,899
<i>Building improvements</i>	2,902,234
<i>Improvements other than buildings</i>	61,544
<i>Mobile equipment</i>	309,957
<i>Furniture and equipment</i>	147,900
<i>Leased property under capital leases</i>	392,569
Total Assets	<u>12,882,978</u>
Deferred Outflows of Resources	
Loss on bond refunding	4,989
Deferred outflows - pensions	4,698,578
Total Deferred Outflows of Resources	<u>4,703,567</u>
Liabilities	
<i>Accounts payable and accrued liabilities</i>	72,577
<i>Interest payable on long-term liabilities</i>	73,787
Long-term liabilities, due within one year:	
<i>Capital related liabilities</i>	392,206
Long-term liabilities, due beyond one year:	
<i>Capital related liabilities</i>	2,053,423
<i>Non-capital related liabilities</i>	80,409
<i>Net pension liability</i>	24,297,996
Total Liabilities	<u>26,970,398</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	64,567
Total Deferred Inflows of Resources	<u>64,567</u>
Net Position	
Net Investment in Capital Assets	4,374,972
Restricted For:	
Expendable:	
School-based activities	707,825
Debt service	1,106,893
Unemployment benefits	42,357
Unrestricted	(15,680,467)
Total Net Position (Deficit)	<u>\$ (9,448,420)</u>

The accompanying notes are an integral part of this statement.

NORTH PANOLA SCHOOL DISTRICT**STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities:				Governmental Activities
<i>Instruction</i>	\$ 7,971,010	\$ 220,833	\$ 1,153,143	\$ (6,597,034)
<i>Support services</i>	5,254,860	--	1,595,742	(3,659,118)
<i>Noninstructional services</i>	981,026	11,598	1,147,039	177,611
<i>Pension expense</i>	2,779,212	--	--	(2,779,212)
<i>Interest on long-term liabilities</i>	141,409	--	--	(141,409)
Total Governmental Activities	<u>\$ 17,127,517</u>	<u>\$ 232,431</u>	<u>\$ 3,895,924</u>	<u>(12,999,162)</u>
General Revenues:				
Taxes:				
<i>General purpose levies</i>				3,423,971
<i>Debt purpose levies</i>				153,858
Unrestricted grants and contributions:				
<i>State</i>				7,949,857
<i>Federal</i>				124,309
<i>Unrestricted investment earnings</i>				23,614
<i>Other</i>				88,003
Total General Revenues				<u>11,763,612</u>
Change in Net Position				<u>(1,235,550)</u>
Net Position (Deficit) - Beginning				(8,212,870)
Net Position (Deficit) - Ending				<u>\$ (9,448,420)</u>

The accompanying notes are an integral part of this statement.

NORTH PANOLA SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	School Food Service Fund	Title I A Basic Fund
Assets:			
<i>Cash and cash equivalents</i>	\$ 3,761,575	\$ 655,934	\$ --
<i>Cash with fiscal agents</i>	--	--	--
<i>Investments</i>	--	--	--
<i>Due from other governments</i>	117,445	--	154,990
<i>Due from other funds</i>	231,815	--	--
<i>Inventories</i>	--	10,785	--
Total Assets	<u>\$ 4,110,835</u>	<u>\$ 666,719</u>	<u>\$ 154,990</u>
Liabilities and Fund Balances			
Liabilities:			
<i>Accounts payable and accrued liabilities</i>	\$ 46,908	\$ 1,430	\$ 1,830
<i>Due to other funds</i>	--	--	153,160
Total Liabilities	<u>46,908</u>	<u>1,430</u>	<u>154,990</u>
Fund Balances:			
Nonspendable:			
Inventory	--	10,785	--
Restricted:			
Unemployment benefits	--	--	--
Debt service	--	--	--
Grant activities	--	--	--
Food service	--	654,504	--
Assigned:			
Activity fund	17,477	--	--
Unassigned	<u>4,046,450</u>	<u>--</u>	<u>--</u>
Total Fund Balances	<u>4,063,927</u>	<u>665,289</u>	<u>--</u>
Total Liabilities and Fund Balances	<u>\$ 4,110,835</u>	<u>\$ 666,719</u>	<u>\$ 154,990</u>

The accompanying notes are an integral part of this statement.

EHA Part B Grant Fund	Educator in Residence Fund	NPSD 2010 Sinking Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ --	\$ 345,511	\$ 4,763,020
--	--	--	5,063	5,063
--	--	765,955	--	765,955
49,101	34,286	--	166,689	522,511
--	--	--	--	231,815
--	--	--	--	10,785
<u>\$ 49,101</u>	<u>\$ 34,286</u>	<u>\$ 765,955</u>	<u>\$ 517,263</u>	<u>\$ 6,299,149</u>
\$ 19,439	\$ --	\$ --	\$ 2,970	\$ 72,577
29,662	34,286	--	14,675	231,783
<u>49,101</u>	<u>34,286</u>	<u>--</u>	<u>17,645</u>	<u>304,360</u>
--	--	--	--	10,785
--	--	--	42,357	42,357
--	--	765,955	414,725	1,180,680
--	--	--	20,847	20,847
--	--	--	21,689	676,193
--	--	--	--	17,477
--	--	--	--	4,046,450
<u>--</u>	<u>--</u>	<u>765,955</u>	<u>499,618</u>	<u>5,994,789</u>
<u>\$ 49,101</u>	<u>\$ 34,286</u>	<u>\$ 765,955</u>	<u>\$ 517,263</u>	<u>\$ 6,299,149</u>

NORTH PANOLA SCHOOL DISTRICT

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017*

Total fund balances for governmental funds	\$ 5,994,789
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	6,815,612
Liabilities due in one year are not recognized in the funds.	(392,206)
Payables for bond principal which are not due in the current period are not reported in the funds.	(1,950,000)
Payables for capital leases which are not due in the current period are not reported in the funds.	(98,952)
Payables for bond interest which are not due in the current period are not reported in the funds.	(73,787)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(80,409)
Loss on bond refunding is accounted for in SNP as a Deferred Outflow of Resources but not in the funds.	4,989
Recognition of the School District's proportionate share of the net pension liability is not reported in the funds.	(24,297,996)
Deferred Inflows of Resources related to the pension plan are not reported in the funds.	(64,567)
Deferred Outflows of Resources related to the pension plan are not reported in the funds.	4,698,578
Bond premiums are capitalized in the SNP but not in the funds.	(4,471)
Net position of governmental activities	\$ <u>(9,448,420)</u>

The accompanying notes are an integral part of this statement.

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NORTH PANOLA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	School Food Service Fund	Title I A Basic Fund
Revenues:			
Local sources	\$ 3,730,313	\$ 21,532	\$ --
State sources	7,135,203	--	--
Federal sources	92,650	1,205,940	1,086,571
Total Revenues	<u>10,958,166</u>	<u>1,227,472</u>	<u>1,086,571</u>
Expenditures:			
Instruction	6,544,862	--	687,013
Support services	4,626,342	95,032	360,750
Noninstructional services	--	917,025	38,808
Debt service:			
Principal	61,131	--	--
Interest	7,098	--	--
Total Expenditures	<u>11,239,433</u>	<u>1,012,057</u>	<u>1,086,571</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(281,267)</u>	<u>215,415</u>	<u>--</u>
Other Financing Sources (Uses):			
Payment into QSCB escrow agent	--	--	--
Payment to QSCB debt escrow agent	--	--	--
Operating transfers in	133,672	7,582	--
Operating transfers out	(10,351)	(122,184)	--
Total Other Financing Sources (Uses)	<u>123,321</u>	<u>(114,602)</u>	<u>--</u>
Net change in fund balances	<u>(157,946)</u>	<u>100,813</u>	<u>--</u>
Fund Balances:			
July 1, 2016	4,221,873	572,270	--
Increase (Decrease) in inventory	--	(7,794)	--
June 30, 2017	<u>\$ 4,063,927</u>	<u>\$ 665,289</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

EHA Part B Grant Fund	Educator in Residence Fund	NPSD 2010 Sinking Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ 15,656	\$ 154,376	\$ 3,921,877
--	--	--	1,445,176	8,580,379
401,458	214,965	--	388,127	3,389,711
<u>401,458</u>	<u>214,965</u>	<u>15,656</u>	<u>1,987,679</u>	<u>15,891,967</u>
162,372	214,965	--	951,430	8,560,642
231,086	--	--	430,489	5,743,699
--	--	--	23,740	979,573
--	--	--	322,186	383,317
--	--	--	138,498	145,596
<u>393,458</u>	<u>214,965</u>	<u>--</u>	<u>1,866,343</u>	<u>15,812,827</u>
8,000	--	15,656	121,336	79,140
--	--	134,000	--	134,000
--	--	--	(134,000)	(134,000)
--	--	--	48,425	189,679
(8,000)	--	--	(49,144)	(189,679)
<u>(8,000)</u>	<u>--</u>	<u>134,000</u>	<u>(134,719)</u>	<u>--</u>
--	--	149,656	(13,383)	79,140
--	--	616,299	513,001	5,923,443
--	--	--	--	(7,794)
<u>\$ --</u>	<u>\$ --</u>	<u>\$ 765,955</u>	<u>\$ 499,618</u>	<u>\$ 5,994,789</u>

NORTH PANOLA SCHOOL DISTRICT

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017*

Net change in fund balances - total governmental funds	\$ 79,140
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	125,832
The depreciation of capital assets used in governmental activities is not reported in the funds.	(373,569)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(1,113)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	270,000
Repayment of capital leases principal is an expenditure in the funds but is not an expense in the SOA.	113,317
(Increase) decrease in accrued interest from beginning of period to end of period.	4,736
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	3,882
Change in inventory affects fund balance in the funds but affects expense in the SOA.	(7,794)
Bond premiums are reported in the funds but not in the SOA.	4,732
Loss on bond refunding is accounted for in SNP as a Deferred Outflow of Resources but not in the funds.	(5,281)
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.	1,329,780
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(2,779,212)
Change in net position of governmental activities	\$ <u>(1,235,550)</u>

The accompanying notes are an integral part of this statement.

NORTH PANOLA SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2017

	Agency Funds
Assets	
<i>Cash and cash equivalents</i>	\$ 499,832
Total Assets	<u>\$ 499,832</u>
Liabilities	
<i>Accounts payable and accrued liabilities</i>	\$ 494,972
<i>Due to student clubs</i>	4,828
<i>Due to other funds</i>	32
Total Liabilities	<u>\$ 499,832</u>

The accompanying notes are an integral part of this statement.

North Panola School District

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

North Panola School District

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

Note 1 - Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

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

North Panola School District

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

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 have 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.

School Food Service Fund - This special revenue fund is used to account for the financial resources associated with the federal grants in the Child Nutrition Cluster, which provides nutritious breakfasts and lunches to the district's students.

Title I A Basic Fund - This fund accounts for the resources and expenditures of federal revenue for specific purposes.

EHA Part B Grant Fund - This fund is used to account for the federal revenues and expenditures of the Special Education Program.

Educator In Residence Fund - This accounts for a state grant which is used to coordinate the Literacy-Based Promotion Act and provide appropriate services to schools in Mississippi.

North Panola School District

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

NPSD 2010 Sinking Fund - This debt service fund accounts for the accumulation of resources for, and the payment of principal, interest, and related costs of the District's Qualified School Construction Bond issue.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements. The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund is used to account for salaries and related salaries expenditures payable and the payment of those payables.

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

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.

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.

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

FIDUCIARY FUNDS

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

North Panola School District

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

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 thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

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

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

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

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

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

North Panola School District

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

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

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

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

D. Encumbrances

An encumbrance system is 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.

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

North Panola School District

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

Investments for the district are reported at fair market value.

2. Receivables and payables

Activity 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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements.

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.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery,

North Panola School District

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

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

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

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

The following schedule details the capitalization thresholds:

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

North Panola School District

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

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 have deferred outflows from the loss on bond refunding and pension.

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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The school district has a deferred inflow from pension.

See Note 11 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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.

North Panola School District

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

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. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Estimates are used when accounting for receivables, pension expense and liabilities, and depreciation. Accordingly, actual results could differ from those estimates.

12. 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.

North Panola School District

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

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. Currently there is no committed fund balance for this school district.

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

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

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

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

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

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the

North Panola School District

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

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 \$4,763,020 and \$499,832, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2017, none of the district's bank balance of \$5,974,289 was exposed to custodial credit risk.

North Panola School District

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

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$5,063.

Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
U.S. Treasury SLGS Deposit	No Rating	Less than one year	\$ <u>765,955</u>

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

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

Level 1 type of investments of \$765,955 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 investments choices or one that addresses credit risk.

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

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

North Panola School District

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

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

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I A Basic Fund	\$ 153,160
	EHA Part B Grant Fund	29,662
	Educator In Residence Fund	34,286
	Fiduciary Funds	32
	Other Governmental Funds	14,675
Total		\$ <u>231,815</u>

The primary purpose of the inter-fund receivables and payables is to close out federal program funds at year end. All inter-fund receivables and payables are expected to be repaid within one year.

B. Inter-fund Transfers

Transfers In	Transfers Out	Amount
General Fund	School Food Service Fund	\$ 122,184
	EHA Part B Grant Fund	8,000
	Other Governmental Funds	3,488
School Food Service Fund	Other Governmental Funds	7,582
Other Governmental Funds	General Fund	10,351
	Other Governmental Funds	38,074
Total		\$ <u>189,679</u>

The primary purpose of the inter-fund transfers was to transfer General Fund monies to various other governmental funds for operating purposes. These transfers were consistent with the activities of the fund making the transfer.

Note 4 - Restricted Assets

The restricted assets represent the investment balance, totaling \$765,955, of the QSCB Bond Retirement Funds. In addition, the restricted assets represent the cash with fiscal agents balance, totaling \$5,063, of the MAEP Retirement Fund.

North Panola School District

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

Note 5 - Capital Assets

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

	Balance 7-1-2016	Additions	Deletions	Balance 6-30-2017
<u>Non-depreciable capital assets:</u>				
Land	\$ 139,509			139,509
Total non-depreciable capital assets	139,509	0	0	139,509
<u>Depreciable capital assets:</u>				
Buildings	7,700,637			7,700,637
Building improvements	4,599,361			4,599,361
Improvements other than buildings	109,015			109,015
Mobile equipment	1,681,125	41,847		1,722,972
Furniture and equipment	771,988	83,985	31,731	824,242
Leased property under capital leases	611,916			611,916
Total depreciable capital assets	15,474,042	125,832	31,731	15,568,143
<u>Less accumulated depreciation for:</u>				
Buildings	4,784,199	54,539		4,838,738
Building improvements	1,513,153	183,974		1,697,127
Improvements other than buildings	44,160	3,311		47,471
Mobile equipment	1,370,837	42,178		1,413,015
Furniture and equipment	672,465	34,495	30,618	676,342
Leased property under capital leases	164,275	55,072		219,347
Total accumulated depreciation	8,549,089	373,569	30,618	8,892,040
Total depreciable capital assets, net	6,924,953	(247,737)	1,113	6,676,103
Governmental activities capital assets, net	\$ 7,064,462	(247,737)	1,113	6,815,612

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 261,498
Support services	74,714
Non-instructional	37,357
Total depreciation expense	\$ 373,569

North Panola School District

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

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	Deletions	Balance 6-30-2017	Amounts due within one year
A.	Limited obligation bonds payable	\$ 545,000	270,000	275,000	275,000
	Premiums	9,203	4,732	4,471	
B.	Obligations under capital leases	329,475	113,317	216,158	117,206
C.	Qualified school construction bonds payable	1,950,000		1,950,000	
D.	Compensated absences payable	84,291	3,882	80,409	
	Total	\$ 2,917,969	391,931	2,526,038	392,206

A. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvement Bonds, Series 2009	3.00-3.125%	06-10-09	02-01-18	\$ 2,175,000	275,000

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 275,000	71,161	346,161

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

North Panola School District

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

B. Obligations under capital leases

The school district has entered into lease agreements as lessee for financing the acquisition of four school buses at a cost of \$300,724 and four school buses at a cost of \$311,192. This lease qualifies as a capital lease for accounting purposes.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Capital Lease - Buses	3.50%	07-15-12	04-10-18	\$ 300,724	53,973
Capital Lease - Buses	3.41%	10-09-14	10-08-19	311,192	162,185
Total				\$ <u>611,916</u>	<u>216,158</u>

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

1. Buses 2012:

Year Ending June 30	Principal	Interest	Total
2018	\$ <u>53,973</u>	<u>1,422</u>	<u>55,395</u>

This debt will be retired from the District Maintenance Fund.

2. Buses 2014:

Year Ending June 30	Principal	Interest	Total
2018	\$ 63,233	4,996	68,229
2019	65,408	2,821	68,229
2020	<u>33,544</u>	<u>572</u>	<u>34,116</u>
Total	\$ <u>162,185</u>	<u>8,389</u>	<u>170,574</u>

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

North Panola School District

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

Total capital leases payments for all issues:

Year Ending June 30		Principal	Interest	Total
2018	\$	117,206	6,418	123,624
2019		65,408	2,821	68,229
2020		33,544	572	34,116
Total	\$	<u>216,158</u>	<u>9,811</u>	<u>225,969</u>

The school district uses the straight-line method of amortization for the lease payments which is not in accordance with accounting principles generally accepted in the United States of America. However, the difference between the effective interest method and the straight-line method is not considered material.

C. Qualified school construction bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
QSCB, Series 2010	6.00%	12-07-10	12-01-25	\$ <u>1,950,000</u>	<u>1,950,000</u>

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

Year Ending June 30		Principal	Interest	Total
2018	\$		117,000	117,000
2019			117,000	117,000
2020			117,000	117,000
2021			117,000	117,000
2022			117,000	117,000
2023 - 2026		<u>1,950,000</u>	<u>468,000</u>	<u>2,418,000</u>
Total	\$	<u>1,950,000</u>	<u>1,053,000</u>	<u>3,003,000</u>

D. Compensated absences payable

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

North Panola School District

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

Note 7 - Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

North Panola School District

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2017 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2017, 2016, and 2015 were \$1,329,780, \$1,370,590, and \$1,323,678, respectively, which equaled the required contributions for each year.

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

At June 30, 2017, the school district reported a liability of \$24,297,996 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 0.136028 percent, which was based on a measurement date of June 30, 2016. This was an increase of 0.001504 percent from its proportionate share used to calculate the June 30, 2016 net pension liability, which was based on a measurement date of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$2,779,212. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 977,053	\$
Net difference between projected and actual earnings on pension plan investments	1,712,678	
Changes in assumptions		64,567
Changes in proportion and differences between District contributions and proportionate share of contributions	679,067	
District contributions subsequent to the measurement date	1,329,780	
Total	<u>\$ 4,698,578</u>	<u>\$ 64,567</u>

\$1,329,780 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

North Panola School District

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

pensions will be recognized in pension expense as follows:

Year Ending June 30:		
2018	\$	1,022,197
2019		923,246
2020		878,777
2021		480,011
Total	\$	<u><u>3,304,231</u></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.

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

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

North Panola School District

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 31,155,480	\$ 24,297,996	\$ 18,608,509

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

Note 8 - 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 member's 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 up to the statutory amount required by the Mississippi Workers'

North Panola School District

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

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 9 - Contingencies

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

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 laws will not have a material adverse effect on the financial condition of the school district.

Note 10 - Qualified School Construction Bonds

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

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. For the year ended June 30, 2017, the subsidy payments amounted to \$95,676.

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

North Panola School District

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

\$765,955. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2018	\$ 134,000
2019	134,000
2020	134,000
2021	134,000
2022	134,000
2023 - 2026	536,000
Total	\$ <u>1,206,000</u>

Note 11 - Effect of Deferred Amounts of Net Position

The unrestricted net position amount of (\$15,680,467) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$1,329,780 resulting from the school district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The \$3,368,798 balance of deferred outflow of resources, at June 30, 2017 will be recognized as an expense and will decrease the unrestricted net position over the next 4 years.

The net investment in capital assets net position amount of \$4,374,972 includes the effect of deferring the recognition of expenses resulting from a deferred outflow from loss of debt refunding. The \$4,989 balance of the deferred outflow of resources at June 30, 2017 will be recognized as an expense and decrease the net investment in capital assets net position over the next year.

The unrestricted net position amount of (\$15,680,467) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$64,567 balance of deferred inflow of resources, at June 30, 2017 will be recognized as a revenue and will increase the unrestricted net position over the next 3 years.

North Panola School District

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

Note 12 - 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 North Panola School District evaluated the activity of the district through the date the financial statements were available to be issued, and determined no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH PANOLA SCHOOL DISTRICT

Exhibit 1

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 3,633,220	3,730,312	3,730,313	97,092	1
State sources	7,206,079	7,133,111	7,135,203	(72,968)	2,092
Federal sources	125,220	94,742	92,650	(30,478)	(2,092)
Total Revenues	<u>10,964,519</u>	<u>10,958,165</u>	<u>10,958,166</u>	<u>(6,354)</u>	<u>1</u>
Expenditures:					
Instruction	6,542,382	6,544,864	6,544,862	(2,482)	2
Support services	4,974,908	4,623,715	4,626,342	351,193	(2,627)
Facilities acquisition and construction		2,624		(2,624)	2,624
Debt Service:					
Principal	61,131	61,131	61,131	-	-
Interest	7,098	7,098	7,098	-	-
Total Expenditures	<u>11,585,519</u>	<u>11,239,432</u>	<u>11,239,433</u>	<u>346,087</u>	<u>(1)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(621,000)</u>	<u>(281,267)</u>	<u>(281,267)</u>	<u>339,733</u>	<u>-</u>
Other Financing Sources (Uses):					
Transfers in	136,000	133,672	133,672	(2,328)	-
Transfers out	(15,000)	(10,351)	(10,351)	4,649	-
Total Other Financing Sources (Uses)	<u>121,000</u>	<u>123,321</u>	<u>123,321</u>	<u>2,321</u>	<u>-</u>
Net Change in Fund Balances	<u>(500,000)</u>	<u>(157,946)</u>	<u>(157,946)</u>	<u>342,054</u>	<u>-</u>
Fund Balances:					
July 1, 2016	500,000	4,221,874	4,221,873	3,721,874	(1)
June 30, 2017	\$ <u>-</u>	<u>4,063,928</u>	<u>4,063,927</u>	<u>4,063,928</u>	<u>(1)</u>

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

NORTH PANOLA SCHOOL DISTRICT

Exhibit 2

Budgetary Comparison Schedule

School Food Service Fund

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 31,600	21,532	21,532	(10,068)	-
Federal sources	1,085,173	1,167,593	1,205,940	82,420	38,347
Total Revenues	1,116,773	1,189,125	1,227,472	72,352	38,347
Expenditures:					
Support services	110,168	95,033	95,032	15,135	1
Non-instructional	910,605	878,677	917,025	31,928	(38,348)
Total Expenditures	1,020,773	973,710	1,012,057	47,063	(38,347)
Excess (Deficiency) of Revenues Over (Under) Expenditures	96,000	215,415	215,415	119,415	-
Other Financing Sources (Uses):					
Transfers In		7,582	7,582	7,582	-
Transfers Out	(96,000)	(122,184)	(122,184)	(26,184)	-
Total Other Financing Sources (Uses)	(96,000)	(114,602)	(114,602)	(18,602)	-
Net Change in Fund Balances	-	100,813	100,813	100,813	-
Fund Balances:					
July 1, 2016	-	572,269	572,270	572,269	1
Increase (decrease) in inventory	-	(7,794)	(7,794)	(7,794)	-
June 30, 2017	\$ -	665,288	665,289	665,288	1

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

NORTH PANOLA SCHOOL DISTRICT

Exhibit 3

Budgetary Comparison Schedule

Title I A Basic Fund

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 1,494,514	1,086,571	1,086,571	(407,943)	-
Total Revenues	<u>1,494,514</u>	<u>1,086,571</u>	<u>1,086,571</u>	<u>(407,943)</u>	<u>-</u>
Expenditures:					
Instruction	895,996	687,013	687,013	208,983	-
Support services	521,080	360,750	360,750	160,330	-
Non-instructional	51,438	38,808	38,808	12,630	-
Total Expenditures	<u>1,468,514</u>	<u>1,086,571</u>	<u>1,086,571</u>	<u>381,943</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>26,000</u>	<u>-</u>	<u>-</u>	<u>(26,000)</u>	<u>-</u>
Other Financing Sources (Uses):					
Transfers Out	(26,000)			26,000	-
Total Other Financing Sources (Uses)	<u>(26,000)</u>	<u>-</u>	<u>-</u>	<u>26,000</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
July 1, 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2017	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

NORTH PANOLA SCHOOL DISTRICT

Exhibit 4

Budgetary Comparison Schedule

EHA Part B Grant Fund

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 446,447	401,458	401,458	(44,989)	-
Total Revenues	<u>446,447</u>	<u>401,458</u>	<u>401,458</u>	<u>(44,989)</u>	<u>-</u>
Expenditures:					
Instruction	165,997	162,372	162,372	3,625	-
Support services	<u>271,950</u>	<u>231,086</u>	<u>231,086</u>	<u>40,864</u>	<u>-</u>
Total Expenditures	<u>437,947</u>	<u>393,458</u>	<u>393,458</u>	<u>44,489</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>8,500</u>	<u>8,000</u>	<u>8,000</u>	<u>(500)</u>	<u>-</u>
Other Financing Sources (Uses):					
Transfers Out	<u>(8,500)</u>	<u>(8,000)</u>	<u>(8,000)</u>	<u>500</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(8,500)</u>	<u>(8,000)</u>	<u>(8,000)</u>	<u>500</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
July 1, 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2017	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

NORTH PANOLA SCHOOL DISTRICT

Exhibit 5

Budgetary Comparison Schedule
 Educator In Residence Fund
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 214,965	214,965	214,965	-	-
Total Revenues	<u>214,965</u>	<u>214,965</u>	<u>214,965</u>	<u>-</u>	<u>-</u>
Expenditures:					
Instruction	<u>214,965</u>	<u>214,965</u>	<u>214,965</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>214,965</u>	<u>214,965</u>	<u>214,965</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
July 1, 2016				-	-
June 30, 2017	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

North Panola School District

Schedule of the District's Proportionate Share of the Net Pension Liability

PERS

Last 10 Fiscal Years*

	2017	2016	2015
District's proportion of the net pension liability (asset)	\$ 24,297,996	20,794,757	16,422,943
District's proportionate share of the net pension liability (asset)	0.136028%	0.134524%	0.135300%
District's covered payroll	8,702,159	8,404,305	8,268,203
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	279.22%	247.43%	198.63%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.70%	67.21%

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

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

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

North Panola School District
Schedule of District Contributions
PERS
Last 10 Fiscal Years*

	2017	2016	2015
Contractually required contribution	\$ 1,329,780	1,370,590	1,323,678
Contributions in relation to the contractually required contribution	1,329,780	1,370,590	1,323,682
Contribution deficiency (excess)	\$ -	-	(4)
District's covered payroll	8,443,048	8,702,159	8,404,305
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%

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

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

North Panola School District

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

Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) Changes 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.

(2) 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%.

SUPPLEMENTARY INFORMATION

North Panola School District**Schedule 1**

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
Number

Federal
Expenditures

U. S. DEPARTMENT OF AGRICULTURE

Passed-through the Mississippi Department of Education:

Child Nutrition Cluster:

School Breakfast Program	10.553	\$ 346,259
National School Lunch Program	10.555	859,681
Summer Food Service Program for Children	10.559	26,874
Total Child Nutrition Cluster		<u>1,232,814</u>
Total passed-through Mississippi Department of Education		<u>1,232,814</u>
Total U. S. Department of Agriculture		<u><u>1,232,814</u></u>

U. S. DEPARTMENT OF DEFENSE

Direct Program:

ROTC Language and Culture Training Grants	12.357	<u>76,422</u>
Total U. S. Department of Defense		<u><u>76,422</u></u>

U. S. DEPARTMENT OF EDUCATION

Passed-through the Mississippi Department of Education:

Title I Grants to Local Educational Agencies	84.010	1,086,571
Career and Technical Education - Basic Grants to States	84.048	18,812
Twenty-first Century Community Learning Centers	84.287	412
Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326Y	11,993
Rural Education	84.358	5,689
Supporting Effective Instruction State Grant	84.367	210,675
Subtotal		<u>1,334,152</u>

Special Education Cluster:

Special Education - Grants to States	84.027	401,458
Special Education - Preschool Grants	84.173	17,996
Total Special Education Cluster		<u>419,454</u>
Total passed-through the Mississippi Department of Education		<u>1,753,606</u>
Total U. S. Department of Education		<u><u>1,753,606</u></u>

TOTAL FOR ALL FEDERAL AWARDS		<u><u>\$ 3,062,842</u></u>
-------------------------------------	--	----------------------------

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

North Panola School District**Schedule 2**

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

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 11,481,608	8,288,902	553,663	723,321	1,915,722
Other	4,331,219	1,692,285	166,244	5,006	2,467,684
Total	\$ <u>15,812,827</u>	<u>9,981,187</u>	<u>719,907</u>	<u>728,327</u>	<u>4,383,406</u>
Total number of students *	<u>1,245</u>				
Cost per student	\$ <u>12,701</u>	<u>8,017</u>	<u>578</u>	<u>585</u>	<u>3,521</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 expenditures 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

North Panola School District

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

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

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

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements; however, the expenditures include transfers out. 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.

(3) Indirect Cost Rate

The school district did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Other Items

The pass-through entities did not assign identifying numbers to the school district.

Donated commodities of \$38,347 are included in the National School Lunch Program.

OTHER INFORMATION

NORTH PANOLA SCHOOL DISTRICT**"UNAUDITED"**

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

	2017	2016*	2015*	2014*
Revenues:				
Local sources	\$ 3,730,313	3,665,942	3,471,168	3,602,187
State sources	7,135,203	7,364,926	7,411,398	7,277,248
Federal sources	92,650	135,580	146,366	127,649
Total Revenues	<u>10,958,166</u>	<u>11,166,448</u>	<u>11,028,932</u>	<u>11,007,084</u>
Expenditures:				
Instruction	6,544,862	6,452,878	6,324,707	6,452,970
Support services	4,626,342	4,604,845	4,834,976	4,557,466
Noninstructional services		0	0	172,453
Debt service:				
Principal	61,131	59,098	28,779	0
Interest	7,098	9,131	5,335	0
Total Expenditures	<u>11,239,433</u>	<u>11,125,952</u>	<u>11,193,797</u>	<u>11,182,889</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(281,267)</u>	<u>40,496</u>	<u>(164,865)</u>	<u>(175,805)</u>
Other Financing Sources (Uses):				
Insurance recovery	0	0	311,192	162,829
Operating transfers in	133,672	124,631	97,941	78,849
Other financing sources	0	0	4,759	1,160
Operating transfers out	<u>(10,351)</u>	<u>0</u>	<u>(10,000)</u>	<u>(10,000)</u>
Total Other Financing Sources (Uses)	<u>123,321</u>	<u>124,631</u>	<u>403,892</u>	<u>232,838</u>
Net Change in Fund Balances	<u>(157,946)</u>	<u>165,127</u>	<u>239,027</u>	<u>57,033</u>
Fund Balances:				
July 1,	4,221,873	4,056,746	3,817,719	3,760,686
June 30,	<u>\$ 4,063,927</u>	<u>4,221,873</u>	<u>4,056,746</u>	<u>3,817,719</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

NORTH PANOLA SCHOOL DISTRICT**"UNAUDITED"**

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

	2017	2016*	2015*	2014*
Revenues:				
Local sources	\$ 3,921,877	3,860,712	3,769,910	3,937,901
State sources	8,580,379	8,752,470	8,589,936	8,411,584
Federal sources	3,389,711	3,607,393	3,312,936	3,366,065
Total Revenues	<u>15,891,967</u>	<u>16,220,575</u>	<u>15,672,782</u>	<u>15,715,550</u>
Expenditures:				
Instruction	8,560,642	8,395,455	7,804,200	8,191,760
Support services	5,743,699	5,829,911	6,082,686	5,715,350
Noninstructional services	979,573	1,189,475	1,124,088	1,088,521
Facilities acquisition and construction	0	0	0	172,453
Debt service:				
Principal	383,317	369,478	327,440	292,002
Interest	145,596	145,922	161,952	166,537
Total Expenditures	<u>15,812,827</u>	<u>15,930,241</u>	<u>15,500,366</u>	<u>15,626,623</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>79,140</u>	<u>290,334</u>	<u>172,416</u>	<u>88,927</u>
Other Financing Sources (Uses):				
Capital leases issued	0	0	311,192	0
Payment into QSCB escrow agent	134,000	134,000	0	0
Payment to QSCB bond escrow agent	(134,000)	(134,000)	0	0
Insurance recovery	0	0	0	162,829
Operating transfers in	189,679	158,862	329,817	267,913
Other financing sources	0	0	4,759	1,160
Operating transfers out	<u>(189,679)</u>	<u>(158,862)</u>	<u>(329,817)</u>	<u>(267,913)</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>315,951</u>	<u>163,989</u>
Net Change in Fund Balances	<u>79,140</u>	<u>290,334</u>	<u>488,367</u>	<u>252,916</u>
Fund Balances:				
July 1	5,923,443	5,630,277	5,143,840	4,893,364
Increase (Decrease) in inventory	(7,794)	2,832	(1,930)	(2,440)
June 30,	<u>\$ 5,994,789</u>	<u>5,923,443</u>	<u>5,630,277</u>	<u>5,143,840</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
North Panola 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 North Panola School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the North Panola School District's basic financial statements, and have issued our report thereon dated August 21, 2018.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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.

1929 SPILLWAY ROAD, SUITE B
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the North Panola 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.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
August 21, 2018

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
North Panola School District

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

1929 SPILLWAY ROAD, SUITE B
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as Finding 2017-001. Our opinion on each major federal program is not modified with respect to this matter.

North Panola School District's response to the noncompliance finding identified in our audit is described in the accompanying auditee's corrective action plan. North Panola School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the North Panola 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 North Panola School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We

did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Finding 2017-001 that we consider to be a significant deficiency.

North Panola School District's response to the internal control over compliance finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. North Panola School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
August 21, 2018

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
North Panola School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Panola School District as of and for the year ended June 30, 2017, which collectively comprise North Panola School District's basic financial statements and have issued our report thereon dated August 21, 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 ensure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

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

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

The results of 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.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
August 21, 2018

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

North Panola 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? Yes.
5. Type of auditor's report issued on compliance for major programs: Unmodified.
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes.
7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555 & 10.559	Child Nutrition Cluster
84.027 & 84.173	Special Education Cluster

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000.
9. Auditee qualified as low-risk auditee? No.

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 by *Government Auditing Standards*.

Section III: Federal Award Findings and Questioned Costs

The results of our tests disclosed the following finding and questioned cost related to the federal awards.

U.S. Department of Agriculture

Passed through the Mississippi Department of Education

Program Name: Child Nutrition Cluster

CFDA: 10.553, 10.555 & 10.559

Significant Deficiency and Noncompliance

Finding 2017-001

Criteria:

7 CFR Part 210.8 states that in order for the school district to be entitled to reimbursement, they shall submit to the Office of Child Nutrition a monthly claim for reimbursement. The Policies and Procedures Manual for Child Nutrition Programs in Mississippi states that this claim is due at the Office of Child Nutrition on the 10th of the month following the reporting month.

Condition:

During the course of our audit, the auditor found that some monthly cash requests tested were not submitted timely.

Context:

Of the 10 monthly cash requests, we examined 10 and determined that 4 of these were not submitted timely.

Effect:

Lack of adequate controls concerning the timely submission of the “Monthly Claim for Reimbursement - School Lunch and School Breakfast” reports by the proper deadline could result in the district not receiving its federal reimbursement in a timely manner to cover the expenditures of the program.

Identification of a repeat finding:

No.

Whether sampling was statically valid:

No.

Cause:

Adequate controls were not in place to ensure monthly cash requests were submitted timely.

Recommendation:

The school district should implement policies and procedures to ensure cash requests are submitted within 10 days of the following month so funds are received in a timely manner.

Views of responsible officials:

The district will implement policies and procedures to ensure cash requests are submitted within 10 days of the following month so funds are received in a timely manner.

AUDITEE'S CORRECTIVE ACTION PLAN



NORTH PANOLA SCHOOL DISTRICT

Central Office

470 Hwy 51 North
Sardis, MS 38666
Phone: (662) 487-2305
Fax: (662) 487-2050

Cedric Richardson, Superintendent

"Providing a Quality Education for All Students"

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), the North Panola School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the Year Ended June 30, 2017:

Finding

Corrective Action Plan Details

2017-001 a. Name of Contact Person Responsible for Corrective Action:

Name: Cedric Richardson
Title: Superintendent
Phone #: (662) 487 - 2305

b. Corrective Action Planned:

The district will implement policies and procedures to ensure cash requests are submitted within 10 days of the following month so funds are received in a timely manner.

c. Anticipated Completion Date: October 31, 2018