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North Pike Consolidated School District

Audited Financial Statements
For the Year Ended June 30, 2017

Fortenberry & Ballard, PC
Certified Public Accountants

North Pike Consolidated 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 Pike Consolidated 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 Pike Consolidated 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 Pike Consolidated 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.

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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 Pike Consolidated 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 19, 57 to 60, 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 Pike Consolidated 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 November 17, 2017, on our consideration of the North Pike Consolidated 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 Pike Consolidated 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 Pike Consolidated School District's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
November 17, 2017

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

FINANCIAL HIGHLIGHTS

- Total net position for 2017 decreased \$2,805,214, which represents a 193% decrease from fiscal year 2016. Total net position for 2016 decreased \$405,923, which represents a 22% decrease from fiscal year 2015.
- General revenues amounted to \$15,959,053 and \$16,357,054, or 81% and 80% of all revenues for fiscal years 2017 and 2016, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,810,259, or 19% of total revenues for 2017, and \$4,002,435, or 20% of total revenues for 2016.
- The District had \$22,574,526 and \$20,765,412 in expenses for fiscal years 2017 and 2016; only \$3,810,259 for 2017 and only \$4,002,435 for 2016 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$15,959,053 for 2017 and \$16,357,054 for 2016 were not adequate to provide for these programs.
- Among the major funds, the General Fund had \$16,319,266 in revenues and \$16,408,272 in expenditures for 2017, and \$16,616,860 in revenues and \$15,953,497 in expenditures for 2016. The General Fund's fund balance increased by \$87,186 from 2016 to 2017, and increased by \$846,933 from 2015 to 2016.
- Capital assets, net of accumulated depreciation, decreased by \$21,881 for 2017 and decreased by \$493,821 for 2016. The decrease for 2017 was primarily due primarily to the recording of depreciation expense.
- Long-term debt increased by \$11,371,057 for 2017 and decreased by \$183,000 for 2016. The increase for 2017 was due primarily to the issuance of general obligation bonds in the amount of \$11,250,000. The liability for compensated absences increased by \$6,336 for 2017 and decreased by \$1,093 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 Pike Consolidated 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 services, sixteenth section, pension expense, and interest on long-term liabilities.

Fund Financial Statements

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

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

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

North Pike Consolidated 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 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 \$1,348,870 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 Pike Consolidated 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	\$ 6,601,153	6,586,704	0%
Restricted assets	14,491,603	3,182,768	355%
Capital assets, net	<u>13,966,253</u>	<u>13,988,134</u>	0%
Total assets	<u>35,059,009</u>	<u>23,757,606</u>	48%
 Deferred outflows of resources	 <u>7,408,034</u>	 <u>5,832,448</u>	 27%
 Current liabilities	 657,366	 435,164	 51%
Long-term debt outstanding	12,559,554	1,182,161	962%
Net pension liability	<u>30,517,897</u>	<u>25,649,506</u>	19%
Total liabilities	<u>43,734,817</u>	<u>27,266,831</u>	60%
 Deferred inflows of resources	 <u>81,096</u>	 <u>866,879</u>	 (91)%
 Net position:			
Net investment in capital assets	12,610,866	12,871,134	(2)%
Restricted	18,048,584	7,034,688	157%
Unrestricted	<u>(32,008,320)</u>	<u>(18,449,478)</u>	(73)%
Total net position (deficit)	<u>\$ (1,348,870)</u>	<u>1,456,344</u>	(193)%

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)	\$ (32,008,320)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including deferred outflows/inflows	<u>23,190,959</u>
Unrestricted net position, exclusive of the net pension liability	<u>\$ (8,817,361)</u>

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

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 \$21,881.
- The principal retirement of \$125,000 of long-term debt.
- Issuance of general obligation bonds in the amount of \$11,250,000.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2017 and June 30, 2016 were \$19,769,312 and \$20,359,489, respectively. The total cost of all programs and services was \$22,574,526 for 2017 and \$20,765,412 for 2016.

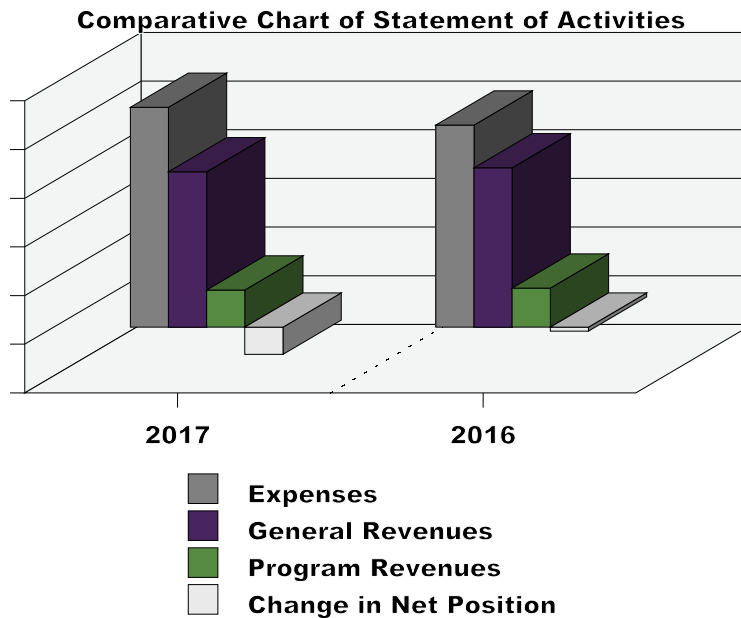
Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2017 and June 30, 2016.

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

Table 2
Changes in Net Position

	Year Ended June 30, 2017	Year Ended June 30, 2016	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 850,675	876,646	(3)%
Operating grants and contributions	2,959,584	3,125,789	(5)%
General Revenues:			
Property taxes	3,210,912	3,018,798	6%
Grants and contributions not restricted	12,409,656	12,660,719	(2)%
Unrestricted investment earnings	191,331	180,325	6%
Sixteenth section sources	118,468	453,720	(74)%
Other	28,686	43,492	(34)%
Total revenues	<u>19,769,312</u>	<u>20,359,489</u>	(3)%
Expenses:			
Instruction	10,767,374	10,878,013	(1)%
Support services	6,007,605	5,705,627	5%
Non-instructional	1,138,149	1,163,223	(2)%
Sixteenth section	71,705	98,565	(27)%
Pension expense	4,277,018	2,767,789	55%
Interest on long-term liabilities	312,675	152,195	105%
Total expenses	<u>22,574,526</u>	<u>20,765,412</u>	9%
Increase (Decrease) in net position	<u>(2,805,214)</u>	<u>(405,923)</u>	(591)%
Net Position, July 1	<u>1,456,344</u>	<u>1,862,267</u>	(22)%
Net Position (deficit), June 30	\$ <u>(1,348,870)</u>	<u>1,456,344</u>	(193)%

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



Governmental activities

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

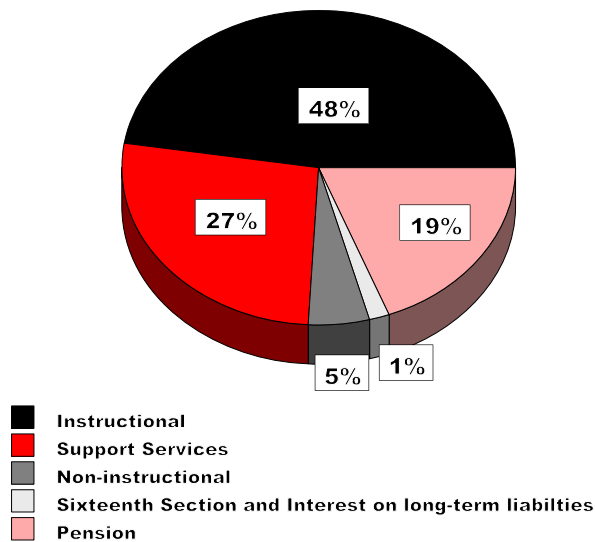
Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		Percentage Change
	<u>2017</u>	<u>2016</u>	
Instruction	\$ 10,767,374	10,878,013	(1)%
Support services	6,007,605	5,705,627	5%
Non-instructional	1,138,149	1,163,223	(2)%
Sixteenth section	71,705	98,565	(27)%
Pension expense	4,277,018	2,767,789	55%
Interest on long-term liabilities	312,675	152,195	105%
Total expenses	<u><u>\$ 22,574,526</u></u>	<u><u>20,765,412</u></u>	<u><u>9%</u></u>

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

Net (Expense) Revenue			
	2017	2016	Percentage Change
Instruction	\$ (9,201,281)	(9,130,834)	(1)%
Support services	(5,025,345)	(4,776,061)	(5)%
Non-instructional	123,757	112,370	10%
Sixteenth section	(71,705)	(48,468)	(48)%
Pension expense	(4,277,018)	(2,767,789)	(55)%
Interest on long-term liabilities	(312,675)	(152,195)	(105)%
Total net (expense) revenue	\$ (18,764,267)	(16,762,977)	(12)%

Chart of Expenses per Statement of Activities



- Net cost of governmental activities (\$18,764,267 for 2017 and \$16,762,977 for 2016) was financed by general revenue, which is primarily made up of property taxes (\$3,210,912 for 2017 and \$3,018,798 for 2016) and state and federal revenues (\$12,409,656 for 2017 and \$12,660,719 for 2016). In addition, there was \$118,468 and \$453,720 in Sixteenth Section sources for 2017 and 2016, respectively.
- Investment earnings amounted to \$191,331 for 2017 and \$180,325 for 2016.

North Pike Consolidated 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 \$20,467,685, an increase of \$11,112,154, which includes a decrease in inventory of \$9,050. \$2,151,035 or 11% 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 \$18,316,650 or 89% 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 increase in fund balance in the General Fund for the fiscal year was \$87,186. The fund balance of Other Governmental Funds showed a decrease in the amount of \$123,236, which includes a decrease in inventory of \$9,050. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund		Increase (Decrease)
Bond Construction Fund	\$	11,095,824
Sixteenth Section Principal Fund	\$	52,380

BUDGETARY HIGHLIGHTS

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

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

North Pike Consolidated 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 \$22,452,045, including land, construction in progress, school buildings, building improvements, improvements other than buildings, mobile equipment, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$588,237 from 2016. Total accumulated depreciation as of June 30, 2017, was \$8,485,792, and total depreciation expense for the year was \$616,152, resulting in total net capital assets of \$13,966,253.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Land	\$ 257,866	257,866	0%
Construction in progress	246,932		N/A
Buildings	10,042,014	10,305,909	(3)%
Building improvements	1,716,882	1,823,418	(6)%
Improvements other than buildings	553,796	593,955	(7)%
Mobile equipment	1,065,000	876,585	21%
Furniture and equipment	83,763	130,401	(36)%
Total	<u>\$ 13,966,253</u>	<u>13,988,134</u>	<u>0%</u>

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 \$12,559,554 in outstanding long-term debt, of which \$384,915 is due within one year. The liability for compensated absences increased \$6,336 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 11,250,000		N/A
Premiums	246,057		N/A
Three mill notes payable	992,000	1,117,000	(11)%
Compensated absences payable	71,497	65,161	10%
Total	<u>\$ 12,559,554</u>	<u>1,182,161</u>	<u>962%</u>

North Pike Consolidated 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 Pike Consolidated 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 1% to 2,232 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, contact the Superintendent's Office of the North Pike Consolidated School District, 1036 Jaguar Trail, Summit, MS 39666.

FINANCIAL STATEMENTS

NORTH PIKE CONSOLIDATED SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2017

	Governmental Activities
Assets	
<i>Cash and cash equivalents</i>	\$ 6,252,799
<i>Due from other governments</i>	316,931
<i>Accrued interest receivable</i>	12,979
<i>Inventories</i>	18,444
<i>Restricted assets</i>	14,491,603
<i>Capital assets, non-depreciable:</i>	
<i>Land</i>	257,866
<i>Construction in progress</i>	246,932
<i>Capital assets, net of accumulated depreciation:</i>	
<i>Buildings</i>	10,042,014
<i>Building improvements</i>	1,716,882
<i>Improvements other than buildings</i>	553,796
<i>Mobile equipment</i>	1,065,000
<i>Furniture and equipment</i>	83,763
Total Assets	<u>35,059,009</u>
Deferred Outflows of Resources	
Deferred outflow - pensions	7,408,034
Total Deferred Outflows of Resources	<u>7,408,034</u>
Liabilities	
<i>Accounts payable and accrued liabilities</i>	591,916
<i>Due to other governments</i>	33,155
<i>Interest payable on long-term liabilities</i>	32,295
Long-term liabilities (due within one year):	
<i>Capital related liabilities</i>	380,000
<i>Capital related premiums</i>	4,915
Long-term liabilities (due beyond one year):	
<i>Capital related liabilities</i>	11,862,000
<i>Capital related premiums</i>	241,142
<i>Non-capital related liabilities</i>	71,497
<i>Net pension liability</i>	30,517,897
Total Liabilities	<u>43,734,817</u>
Deferred Inflows of Resources	
Deferred inflow - pensions	81,096
Total Deferred Inflows of Resources	<u>81,096</u>
Net Position:	
Net Investment in Capital Assets	12,610,866
Restricted For:	
Expendable:	
School based activities	437,684
Debt service	123,802
Capital projects	11,095,824
Forestry improvements	87,734
Unemployment benefits	49,089
Nonexpendable:	
Sixteenth section	6,254,451
Unrestricted	(32,008,320)
Total Net Position (Deficit)	<u>\$ (1,348,870)</u>

The accompanying notes are an integral part of this statement.

NORTH PIKE CONSOLIDATED 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>	10,767,374	579,914	986,179	(9,201,281)
<i>Support services</i>	6,007,605	--	982,260	(5,025,345)
<i>Noninstructional services</i>	1,138,149	270,761	991,145	123,757
<i>Sixteenth section</i>	71,705	--	--	(71,705)
<i>Pension expense</i>	4,277,018	--	--	(4,277,018)
<i>Interest on long-term liabilities</i>	312,675	--	--	(312,675)
Total Governmental Activities	<u>\$ 22,574,526</u>	<u>\$ 850,675</u>	<u>\$ 2,959,584</u>	<u>(18,764,267)</u>
General Revenues:				
Taxes:				
<i>General purpose levies</i>				3,056,936
<i>Debt purpose levies</i>				153,976
Unrestricted grants and contributions:				
<i>State</i>				12,336,329
<i>Federal</i>				73,327
<i>Unrestricted investment earnings</i>				191,331
<i>Sixteenth section sources</i>				118,468
<i>Other</i>				28,686
Total General Revenues				<u>15,959,053</u>
Change in Net Position				<u>(2,805,214)</u>
Net Position - Beginning				1,456,344
Net Position (Deficit) - Ending				<u>\$ (1,348,870)</u>

The accompanying notes are an integral part of this statement.

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NORTH PIKE CONSOLIDATED SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2017

	General Fund	Bond Construction Fund
Assets		
<i>Cash and cash equivalents</i>	\$ 5,384,873	\$ 11,132,670
<i>Investments</i>	--	--
<i>Due from other governments</i>	182,511	--
<i>Accrued interest receivable</i>	--	--
<i>Due from other funds</i>	84,588	--
<i>Advances to other funds</i>	--	--
<i>Inventories</i>	--	--
Total Assets	<u>\$ 5,651,972</u>	<u>\$ 11,132,670</u>
Liabilities and Fund Balances:		
Liabilities:		
Accounts payable and accrued liabilities	\$ 350,369	\$ 36,846
Due to other funds	32,258	--
Advances from other funds	2,882,539	--
Total Liabilities	<u>3,265,166</u>	<u>36,846</u>
Fund Balances:		
Nonspendable:		
Permanent fund principal	--	--
Advances	--	--
Inventory	--	--
Restricted:		
Unemployment benefits	--	--
Forestry improvement purposes	--	--
Capital projects	--	11,095,824
Debt service	--	--
Grant activities	--	--
Food Service	--	--
Assigned:		
School administration	742	--
Activity fund	235,029	--
Unassigned	<u>2,151,035</u>	<u>--</u>
Total Fund Balances	<u>2,386,806</u>	<u>11,095,824</u>
Total Liabilities and Fund Balances	<u>\$ 5,651,972</u>	<u>\$ 11,132,670</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C

Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
\$ 2,554,858	\$ 867,926	\$ 19,940,327
804,075	--	804,075
--	134,420	316,931
12,979	--	12,979
--	--	84,588
2,882,539	--	2,882,539
--	18,444	18,444
<u>\$ 6,254,451</u>	<u>\$ 1,020,790</u>	<u>\$ 24,059,883</u>
\$ --	\$ 204,701	\$ 591,916
--	85,485	117,743
--	--	2,882,539
<u>--</u>	<u>290,186</u>	<u>3,592,198</u>
3,371,912	--	3,371,912
2,882,539	--	2,882,539
--	18,444	18,444
--	49,089	49,089
--	87,734	87,734
--	--	11,095,824
--	156,097	156,097
--	15	15
--	419,225	419,225
--	--	742
--	--	235,029
--	--	2,151,035
<u>6,254,451</u>	<u>730,604</u>	<u>20,467,685</u>
<u>\$ 6,254,451</u>	<u>\$ 1,020,790</u>	<u>\$ 24,059,883</u>

NORTH PIKE CONSOLIDATED SCHOOL DISTRICT
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2017*

Total fund balances for governmental funds	\$ 20,467,685
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.	13,966,253
Liabilities due in one year are not recognized in the funds.	(384,915)
Payables for bond principal which are not due in the current period are not reported in the funds.	(11,000,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(32,295)
Payables for notes which are not due in the current period are not reported in the funds.	(862,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(71,497)
Recognition of the School District's proportionate share of the net pension liability is not reported in the funds.	(30,517,897)
Deferred Inflows of Resources related to the pension plan are not reported in the funds.	(81,096)
Deferred Outflows of Resources related to the pension plan are not reported in the funds.	7,408,034
Bond premiums are recognized in the SNP.	(241,142)
Net position of governmental activities	\$ <u>(1,348,870)</u>

The accompanying notes are an integral part of this statement.

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NORTH PIKE CONSOLIDATED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Bond Construction Fund
Revenues:		
Local sources	\$ 3,735,490	\$ 2,929
State sources	12,412,649	--
Federal sources	89,041	--
Sixteenth section sources	82,086	--
Total Revenues	<u>16,319,266</u>	<u>2,929</u>
Expenditures:		
Instruction	10,813,241	--
Support services	5,412,688	867
Noninstructional services	13,849	--
Sixteenth section	47,722	--
Facilities acquisition and construction	--	246,932
Debt service:		
Principal	--	--
Interest	120,772	--
Other	--	155,363
Total Expenditures	<u>16,408,272</u>	<u>403,162</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(89,006)</u>	<u>(400,233)</u>
Other Financing Sources (Uses):		
Bonds issued	--	11,250,000
Premiums on bonds issued	--	246,057
Transfers in	176,192	--
Transfers out	--	--
Total Other Financing Sources (Uses)	<u>176,192</u>	<u>11,496,057</u>
Net Change in Fund Balances	87,186	11,095,824
Fund Balances:		
July 1, 2016,	2,299,620	--
Increase (decrease) in inventory	--	--
June 30, 2017	<u>\$ 2,386,806</u>	<u>\$ 11,095,824</u>

The accompanying notes are an integral part of this statement.

Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 386,696	\$ 4,125,115
--	570,781	12,983,430
--	2,296,769	2,385,810
192,226	645	274,957
<u>192,226</u>	<u>3,254,891</u>	<u>19,769,312</u>
--	825,068	11,638,309
--	1,218,449	6,632,004
--	1,114,763	1,128,612
3,654	20,329	71,705
--	--	246,932
--	125,000	125,000
--	25,468	146,240
--	--	155,363
<u>3,654</u>	<u>3,329,077</u>	<u>20,144,165</u>
<u>188,572</u>	<u>(74,186)</u>	<u>(374,853)</u>
--	--	11,250,000
--	--	246,057
--	--	176,192
(136,192)	(40,000)	(176,192)
<u>(136,192)</u>	<u>(40,000)</u>	<u>11,496,057</u>
52,380	(114,186)	11,121,204
6,202,071	853,840	9,355,531
--	(9,050)	(9,050)
<u>\$ 6,254,451</u>	<u>\$ 730,604</u>	<u>\$ 20,467,685</u>

NORTH PIKE CONSOLIDATED 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	\$ 11,121,204
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	594,332
The depreciation of capital assets used in governmental activities is not reported in the funds.	(616,152)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(61)
Repayment of notes principal is an expenditure in the funds but is not an expense in the SOA.	125,000
(Increase) decrease in accrued interest from beginning of period to end of period.	(11,072)
Change in inventory affects fund balance in the funds but affects expense in the SOA.	(9,050)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(6,336)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(11,250,000)
Bond premiums are reported in the funds, capitalized and amortized in the SOA.	(246,057)
Pension contributions made after the measurement date but in current FY were de-expended and reduced NPL.	1,769,996
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	<u>(4,277,018)</u>
Change in net position of governmental activities	\$ <u>(2,805,214)</u>

The accompanying notes are an integral part of this statement.

NORTH PIKE CONSOLIDATED SCHOOL DISTRICT*STATEMENT OF FIDUCIARY NET POSITION**FIDUCIARY FUNDS**JUNE 30, 2017*

	Private-purpose Trust Fund	Agency Funds
Assets		
<i>Cash and cash equivalents</i>	\$ 8,261	\$ 1,362,184
<i>Due from other funds</i>	--	33,155
Total Assets	<u>\$ 8,261</u>	<u>\$ 1,395,339</u>
Liabilities		
<i>Accounts payable and accrued liabilities</i>		\$ 1,352,574
<i>Due to student clubs</i>		42,765
Total Liabilities		<u>\$ 1,395,339</u>
Net Position		
Reserve for endowments	\$ 8,261	
Total Net Position	<u>\$ 8,261</u>	

NORTH PIKE CONSOLIDATED SCHOOL DISTRICT*STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**FIDUCIARY FUNDS**FOR THE YEAR ENDED JUNE 30, 2017*

	Private-purpose Trust Fund
Additions	
Investment Income	\$ 52
Total Additions	<u>52</u>
Deductions	
Scholarship Awards	<u>1,000</u>
Total Deductions	<u>1,000</u>
Change in Net Position	<u>(948)</u>
Net Position	
July 1, 2016	9,209
June 30, 2017	<u>\$ 8,261</u>

The accompanying notes are an integral part of this statement.

North Pike Consolidated School District

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

North Pike Consolidated 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 Pike Consolidated 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 Pike Consolidated 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 has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

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

The school district reports the following major governmental funds:

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

Bond Construction Fund - This capital projects fund is used to account for the expenditures for capital outlays related to the construction at the North Pike Band Hall, Elementary and High Schools.

Sixteenth Section Principal Fund - This is a permanent fund used to account for the nonexpendable resources generated from the sale of non-renewable resources on sixteenth section lands.

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:

North Pike Consolidated School District

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

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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

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

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

FIDUCIARY FUNDS

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

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

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

North Pike Consolidated School District

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

statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

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

Investments for the district are reported at fair market value.

North Pike Consolidated School District

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

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund. The restricted assets represent the unexpended bond proceeds.

North Pike Consolidated School District

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

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the governmental column 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.

North Pike Consolidated School District

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

7. Deferred outflows/inflows of resources

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

North Pike Consolidated School District

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

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

10. Pensions

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

11. Fund Balances

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

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

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

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

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

North Pike Consolidated School District

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

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 7% of district maintenance 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 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 districts' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge

North Pike Consolidated School District

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

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 \$19,940,327 and \$1,370,445, 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 Institution 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 \$21,326,666 was exposed to custodial credit risk.

North Pike Consolidated School District

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

Investments

As of June 30, 2017, the district had the following investments approved by the Board of Trustees in accordance with the Mississippi Code Ann. (1972) Section 29-3-113 which sets guidelines that allow school districts to invest and lend funds.

Investment Type	Rating	Maturities (In years)		Fair Value
Jefferson County School District	N/A	More than 1 year	\$	109,304
Smith County School District	N/A	More than 1 year		186,000
Okolona School District	N/A	More than 1 year		49,929
Cleveland School District	N/A	More than 1 year		458,842
Total			\$	<u>804,075</u>

The North Pike Consolidated School District has an investment of \$109,304 in the form of a promissory note payable from the North Pike Consolidated School District Sixteenth Section Principal Fund. This investment, held by Jefferson County School District, matures on September 22, 2019 at an accrued interest rate of 2.50% to the Sixteenth Section Principal Fund.

The North Pike Consolidated School District has an investment of \$186,000 in the form of a promissory note payable from the North Pike Consolidated School District Sixteenth Section Principal Fund. This investment, held by Smith County School District, matures on September 7, 2019 at an accrued interest rate of 2.50% to the Sixteenth Section Principal Fund.

The North Pike Consolidated School District has an investment of \$49,929 in the form of a promissory note payable from the North Pike Consolidated School District Sixteenth Section Principal Fund. This investment, held by Okolona Municipal Separate School District, matures on September 23, 2019 at an accrued interest rate of 2.50% to the Sixteenth Section Principal Fund.

The North Pike Consolidated School District has an investment of \$458,842 in the form of a promissory note payable from the North Pike Consolidated School District Sixteenth Section Principal Fund. This investment, held by Cleveland School District, matures on October 25, 2019 at an accrued interest rate of 2.00% to the Sixteenth Section Principal Fund.

North Pike Consolidated 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	Other Governmental Funds	\$ 84,588
Agency Funds	General Fund	32,258
	Other Governmental Funds	897
Total		\$ <u>117,743</u>

The primary purpose of the interfund balances is to eliminate deficit cash balances in certain special revenue funds caused by negative federal award program cash flows.

B. Advances To/From Other Funds:

Receivable Fund	Payable Fund	Amount
Sixteenth Section Principal Fund	General Fund	\$ <u>2,882,539</u>

Sixteenth section principal loans payable

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

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 142,234	115,301	257,535
2019	147,924	109,613	257,537
2020	153,841	103,695	257,536
2021	159,995	97,542	257,537
2022	166,394	91,142	257,536
2023 - 2027	937,295	350,386	1,287,681
2028 - 2032	827,901	165,453	993,354
2033 - 2035	346,955	20,952	367,907
Total	\$ <u>2,882,539</u>	<u>1,054,084</u>	<u>3,936,623</u>

North Pike Consolidated School District

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

C. Inter-fund Transfers

Transfers In	Transfers Out	Amount
General Fund	Sixteenth Section Principal Fund	\$ 136,192
	Other Governmental Funds	40,000
Total		<u>\$ 176,192</u>

Operating transfers were primarily for the following: indirect cost transfers, vocational and special education expenditure transfers, the transfer of expendable sixteenth section sources, debt service transfers, unemployment compensation transfers, and other routine operating transfers.

Note 4 - Restricted Assets

The restricted assets represent the cash and investment balances, totaling \$2,554,858 and \$804,075, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

The restricted assets represent the unexpended bond proceeds in the form of cash balance, totaling \$11,132,670 of the Bond Construction Fund which is legally restricted and may not be used for purposes that support the district's programs.

North Pike Consolidated 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	\$ 257,866			257,866
Construction in progress		246,932		246,932
Total non-depreciable capital assets	257,866	246,932	0	504,798
<u>Depreciable capital assets:</u>				
Buildings	14,510,144			14,510,144
Building improvements	2,663,397			2,663,397
Improvements other than buildings	1,003,981			1,003,981
Mobile equipment	2,873,363	347,400		3,220,763
Furniture and equipment	555,057		6,095	548,962
Total depreciable capital assets	21,605,942	347,400	6,095	21,947,247
<u>Less accumulated depreciation for:</u>				
Buildings	4,204,235	263,895		4,468,130
Building improvements	839,979	106,536		946,515
Improvements other than buildings	410,026	40,159		450,185
Mobile equipment	1,996,778	158,985		2,155,763
Furniture and equipment	424,656	46,577	6,034	465,199
Total accumulated depreciation	7,875,674	616,152	6,034	8,485,792
Total depreciable capital assets, net	13,730,268	(268,752)	61	13,461,455
Governmental activities capital assets, net	\$ 13,988,134	(21,820)	61	13,966,253

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 371,391
Support services	196,620
Non-instructional	48,141
Total depreciation expense	\$ 616,152

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

	Spent to June 30, 2017	Remaining Commitment
Governmental Activities:		
North Pike Schools, High School and Band Hall Additions	\$ 197,037	\$ 1,665,963
North Pike Upper Elementary School	49,895	7,925,867
Total governmental activities	\$ 246,932	\$ 9,591,830

Construction projects included in governmental activities are funded with the Bond Construction Fund.

North Pike Consolidated 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	Additions	Reductions	Balance 6-30-2017	Amounts due within one year
A. General obligation bonds payable	\$	11,250,000		11,250,000	250,000
Premiums		246,057		246,057	4,915
B. Three mill notes payable	1,117,000		125,000	992,000	130,000
C. Compensated absences payable	65,161	6,336		71,497	
Total	\$ 1,182,161	11,502,393	125,000	12,559,554	384,915

A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, Series 2016	2.5 - 3.375%	06-15-17	06-01-37	\$ 11,250,000	11,250,000

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 250,000	322,729	572,729
2019	400,000	328,288	728,288
2020	415,000	316,288	731,288
2021	435,000	303,838	738,838
2022	450,000	290,788	740,788
2023 - 2027	2,610,000	1,244,437	3,854,437
2028 - 2032	3,205,000	852,212	4,057,212
2033 - 2037	3,485,000	319,912	3,804,912
Total	\$ 11,250,000	3,978,492	15,228,492

This debt will be retired from the General Obligation Bond and Interest Fund.

North Pike Consolidated School District

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

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill note payable, Series 2014	2.28%	09-05-14	09-05-24	\$ <u>1,300,000</u>	<u>992,000</u>

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 130,000	22,618	152,618
2019	131,000	19,654	150,654
2020	131,000	16,667	147,667
2021	125,000	13,680	138,680
2022	115,000	10,830	125,830
2023-2025	<u>360,000</u>	<u>16,644</u>	<u>376,644</u>
Total	\$ <u>992,000</u>	<u>100,093</u>	<u>1,092,093</u>

This debt will be retired from the Three Mill Note Retirement Fund.

C. Compensated absences payable

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

Note 7 - Other Commitments

Commitments under construction contracts are described in Note 5.

Note 8 - Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi

North Pike Consolidated School District

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

Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2017 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2017, 2016, and 2015, were \$1,769,996, \$1,721,415 and \$1,632,701, respectively, which equaled the required contributions for each year.

North Pike Consolidated School District

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

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 \$30,517,897 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 0.170849 percent, which was based on a measurement date of June 30, 2016. This was an increase of 0.004919 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 \$4,277,018. 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	\$ 1,184,018	\$
Net difference between projected and actual earnings on pension plan investments	2,419,695	
Change in assumptions		81,096
Changes in proportion and differences between District contributions and proportionate share of contributions	2,034,325	
District contributions subsequent to the measurement date	1,769,996	
Total	<u>\$ 7,408,034</u>	<u>\$ 81,096</u>

\$1,769,996 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2017	\$ 2,055,087
2018	1,736,127
2019	1,162,840
2020	602,888
Total	<u>\$ 5,556,942</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:

North Pike Consolidated School District

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

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

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

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

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

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

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.

North Pike Consolidated School District

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

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ <u>39,130,787</u>	<u>30,517,897</u>	<u>23,371,991</u>

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

Note 9 - Risk Management

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

Note 10 - Contingencies

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

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

Note 11 - Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$32,008,320) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$7,408,034 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.

North Pike Consolidated School District

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

The unrestricted net position amount of (\$32,008,320) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$81,096 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.

Note 12 - Sixteenth Section Lands

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

Year Ending June 30,		Amount
2018	\$	56,483
2019		49,894
2020		19,221
2021		11,325
2022		2,600
2023 - 2027		13,000
2028 - 2032		13,000
2033 - 2037		11,950
2038 - 2042		11,125
2043 - 2047		8,900
Total	\$	<u>197,498</u>

Note 13 - 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

North Pike Consolidated School District

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

of the North Pike Consolidated School District evaluated the activity of the district through the date the financial statements were available to be issued, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statement.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH PIKE CONSOLIDATED SCHOOL DISTRICT

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2017

Exhibit 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 3,640,621	3,735,490	3,735,490	94,869	-
State sources	12,500,572	12,412,650	12,412,649	(87,922)	(1)
Federal sources	42,705	89,041	89,041	46,336	-
Sixteenth section sources	59,020	82,087	82,086	23,067	(1)
Total Revenues	16,242,918	16,319,268	16,319,266	76,350	(2)
Expenditures:					
Instruction	10,806,889	10,813,236	10,813,241	(6,347)	(5)
Support services	5,425,319	5,412,687	5,412,688	12,632	(1)
Noninstructional services	20,000	13,849	13,849	6,151	-
Sixteenth section	27,150	47,723	47,722	(20,573)	1
Debt service:					
Interest	120,772	120,772	120,772	-	-
Total Expenditures	16,400,130	16,408,267	16,408,272	(8,137)	(5)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(157,212)	(88,999)	(89,006)	68,213	(7)
Other Financing Sources (Uses):					
Transfers In	483,500	747,122	176,192	263,622	(570,930)
Transfers Out	(325,175)	(570,930)	-	(245,755)	570,930
Total Other Financing Sources (Uses)	158,325	176,192	176,192	17,867	-
Net Change in Fund Balances	1,113	87,193	87,186	86,080	(7)
Fund Balances:					
July 1, 2016	1,440,700	2,299,615	2,299,620	858,915	5
June 30, 2017	\$ 1,441,813	2,386,808	2,386,806	944,995	(2)

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

North Pike Consolidated 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) \$	30,517,897	25,649,506	18,323,294
District's proportionate share of the net pension liability (asset)	0.170849%	0.165930%	0.150956%
District's covered - employee payroll	10,929,619	10,366,356	9,224,190
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	279.22%	247.43%	198.64%
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 Pike Consolidated School District
Schedule of District Contributions
PERS
Last 10 Fiscal Years*

		2017	2016	2015
Contractually required contribution	\$	<u>1,769,996</u>	<u>1,721,415</u>	<u>1,632,701</u>
Contributions in relation to the contractually required contribution		1,769,996	1,721,415	1,632,701
Contribution deficiency (excess)	\$	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
District's covered - employee payroll		11,238,070	10,929,619	10,366,356
Contributions as a percentage of covered - employee 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 Pike Consolidated School District

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

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) Changes of benefit provisions

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 PIKE CONSOLIDATED SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

Federal Grantor/ Pass-through Grantor/ Program Title/	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U. S. Department of Agriculture</u>		
Direct Program:		
Conservation Reserve Program	10.069	\$ 23,258
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	261,679
National School Lunch Program	10.555	838,822
Total Child Nutrition Cluster		<u>1,100,501</u>
Total passed-through the Mississippi Department of Education		<u>1,100,501</u>
Total U.S. Department of Agriculture		<u>1,123,759</u>
<u>U.S. Environmental Protection Agency</u>		
Passed-through the Mississippi Department of Environmental Quality:		
ARRA - State Clean Diesel Grant Program, Recovery Act	66.040	15,000
Total passed-through Mississippi Department of Environmental Quality		<u>15,000</u>
Total U.S. Environmental Protection Agency		<u>15,000</u>
<u>U. S. Department of Education</u>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	592,470
Career and Technical Education - Basic Grants to States	84.048	25,737
Rural Education	84.358	52,386
Supporting Effective Instruction State Grant	84.367	96,435
Subtotal		<u>767,028</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	414,521
Special Education - Preschool Grants	84.173	14,718
Total Special Education Cluster		<u>429,239</u>
Total passed-through the Mississippi Department of Education		<u>1,196,267</u>
Total U.S. Department of Education		<u>1,196,267</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical Assistance Program	93.778	24,592
Total passed-through Mississippi Department of Education		<u>24,592</u>
Total U.S. Department of Health and Human Services		<u>24,592</u>
Total for All Federal Awards		\$ <u><u>2,359,618</u></u>

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

NORTH PIKE CONSOLIDATED SCHOOL DISTRICT

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2017

		Instruction and Other Student			
Expenditures	Total	Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 15,221,024	12,033,941	684,549	1,160,719	1,341,815
Other	4,923,141	1,706,717	259,912	41,849	2,914,663
Total	\$ <u>20,144,165</u>	<u>13,740,658</u>	<u>944,461</u>	<u>1,202,568</u>	<u>4,256,478</u>
Total number of students *	<u>2,232</u>				
Cost per student	\$ <u>9,025</u>	<u>6,156</u>	<u>423</u>	<u>539</u>	<u>1,907</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 functions: Support Services - School Administration.

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

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

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

North Pike Consolidated 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 \$73,799 are included in the National School Lunch Program.

Schedule of Instructional Administrative and Other Expenditures - Governmental Funds

(1) Basis of Accounting

This schedule is presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements.

OTHER INFORMATION

NORTH PIKE CONSOLIDATED SCHOOL DISTRICT

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

"UNAUDITED"

	2017	2016*	2015*	2014*
Revenues:				
Local sources	\$ 3,735,490	3,508,026	3,257,503	3,046,810
State sources	12,412,649	12,687,897	11,788,250	11,235,721
Federal sources	89,041	69,936	73,433	51,202
Sixteenth section sources	82,086	351,001	287,590	-
Total Revenues	<u>16,319,266</u>	<u>16,616,860</u>	<u>15,406,776</u>	<u>14,333,733</u>
Expenditures:				
Instruction	10,813,241	10,650,784	10,126,935	9,626,330
Support services	5,412,688	5,086,262	5,392,779	4,691,192
Noninstructional services	13,849	-	-	-
Sixteenth section	47,722	87,794	186,038	-
Facilities acquisition and construction	-	2,625	-	-
Debt service:				
Interest	120,772	126,032	131,090	32,724
Total Expenditures	<u>16,408,272</u>	<u>15,953,497</u>	<u>15,836,842</u>	<u>14,350,246</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(89,006)</u>	<u>663,363</u>	<u>(430,066)</u>	<u>(16,513)</u>
Other Financing Sources (Uses):				
Operating transfers in	176,192	183,570	1,137,416	343,000
Operating transfers out	-	-	(494,271)	(2,501,998)
Total Other Financing Sources (Uses)	<u>176,192</u>	<u>183,570</u>	<u>643,145</u>	<u>(2,158,998)</u>
Net Change in Fund Balances	<u>87,186</u>	<u>846,933</u>	<u>213,079</u>	<u>(2,175,511)</u>
Fund Balances:				
Beginning of period, as previously reported	2,299,620	1,452,687	483,802	2,659,313
Fund reclassification	-	-	755,806	-
Beginning of period, as restated	<u>2,299,620</u>	<u>1,452,687</u>	<u>1,239,608</u>	<u>2,659,313</u>
End of period	<u>\$ 2,386,806</u>	<u>2,299,620</u>	<u>1,452,687</u>	<u>483,802</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

NORTH PIKE CONSOLIDATED SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

"UNAUDITED"

	2017	2016*	2015*	2014*
Revenues:				
Local sources	\$ 4,125,115	3,919,857	3,700,368	3,415,606
State sources	12,983,430	13,271,959	12,319,178	11,513,505
Federal sources	2,385,810	2,514,549	1,919,875	2,050,162
Sixteenth section sources	274,957	653,124	711,482	938,743
Total Revenues	<u>19,769,312</u>	<u>20,359,489</u>	<u>18,650,903</u>	<u>17,918,016</u>
Expenditures:				
Instruction	11,638,309	11,732,475	11,007,449	10,203,279
Support services	6,632,004	6,086,991	6,341,325	5,485,303
Noninstructional services	1,128,612	1,162,362	1,144,023	1,067,982
Sixteenth section	71,705	98,565	273,024	150,360
Facilities acquisition and construction	246,932	2,625	915,801	1,635,800
Debt service:				
Principal	125,000	-	511,910	60,151
Interest	146,240	183,000	147,798	61,644
Other	155,363	155,672	13,000	-
Total Expenditures	<u>20,144,165</u>	<u>19,421,690</u>	<u>20,354,330</u>	<u>18,664,519</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(374,853)</u>	<u>937,799</u>	<u>(1,703,427)</u>	<u>(746,503)</u>
Other Financing Sources (Uses):				
Bonds and notes issued	11,250,000	-	1,300,000	-
Premiums on bonds issued	246,057			
Operating transfers in	176,192	341,633	1,458,696	3,179,889
Operating transfers out	(176,192)	(341,633)	(1,458,696)	(3,179,889)
Total Other Financing Sources (Uses)	<u>11,496,057</u>	<u>-</u>	<u>1,300,000</u>	<u>-</u>
Net Change in Fund Balances	11,121,204	937,799	(403,427)	(746,503)
Fund Balances:				
Beginning of period	9,355,531	8,418,692	8,813,743	9,567,859
Increase (decrease) in inventory	(9,050)	(960)	8,376	(7,613)
End of period	<u>\$ 20,467,685</u>	<u>9,355,531</u>	<u>8,813,743</u>	<u>8,813,743</u>

***SOURCE - PRIOR YEAR AUDIT REPORTS**

REPORTS ON INTERNAL CONTROL 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 Pike Consolidated 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 Pike Consolidated 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 Pike Consolidated School District's basic financial statements, and have issued our report thereon dated November 17, 2017.

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 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.

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TELEPHONE 601-992-5292 FAX 601-992-2033

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the North Pike Consolidated 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
November 17, 2017

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 THE UNIFORM GUIDANCE

Superintendent and School Board
North Pike Consolidated School District

Report on Compliance for Each Major Federal Program

We have audited North Pike Consolidated 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 North Pike Consolidated School District's major federal program for the year ended June 30, 2017. The North Pike Consolidated School District's major federal program is 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 Pike Consolidated School District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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.

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Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the North Pike Consolidated 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 Pike Consolidated School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
November 17, 2017

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 Pike Consolidated School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Pike Consolidated School District as of and for the year ended June 30, 2017, which collectively comprise North Pike Consolidated School District's basic financial statements and have issued our report thereon dated November 17, 2017. 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
November 17, 2017

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

North Pike Consolidated School District

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

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

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

CFDA Numbers:	Name of Federal Program or Cluster
10.553 & 10.555	Child Nutrition Cluster

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

Section II: Financial Statements 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 Awards Findings and Questioned Costs

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