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North Tippah Consolidated School District

Audited Financial Statements
For the Year Ended June 30, 2017

Fortenberry & Ballard, PC
Certified Public Accountants

North Tippah Consolidated School District
TABLE OF CONTENTS

	PAGE #
INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION	4
MANAGEMENT'S DISCUSSION AND ANALYSIS	8
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Exhibit A - Statement of Net Position	18
Exhibit B - Statement of Activities	19
Governmental Funds Financial Statements	
Exhibit C - Balance Sheet	20
Exhibit C-1 - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	21
Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances	22
Exhibit D-1 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	23
Fiduciary Funds Financial Statements	
Exhibit E - Statement of Fiduciary Assets and Liabilities	24
Notes to the Financial Statements	26
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	44
Budgetary Comparison Schedule - School Food Service Fund	45
Budgetary Comparison Schedule - Title I - A Basic Fund	46
Budgetary Comparison Schedule - Improving Teacher Quality Fund	47
Schedule of the District's Proportionate Share of the Net Pension Liability	48
Schedule of District Contributions	49
Notes to the Required Supplementary Information	50
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	52
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	53
Notes to the Schedule of Expenditures of Federal Awards	54
OTHER INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years	56
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years	57
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
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 <i>Government Auditing Standards</i>	59
Independent Auditor's Report on Compliance for Each Major Federal Program and Report On Internal Control Over Compliance Required by the Uniform Guidance..	61
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	64
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	67

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 Tippah 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 Tippah 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 Tippah 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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the North Tippah 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 16 and 44 to 50, 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 Tippah 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 April 5, 2018, on our consideration of the North Tippah 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 Tippah 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 Tippah Consolidated School District's internal control over financial reporting and compliance.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
April 5, 2018

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

The following discussion and analysis of North Tippah 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 \$1,312,539, which represents a 15.66 % decrease from fiscal year 2016. Total net position for 2016 decreased \$1,304,700, which represents an 18.43% decrease from fiscal year 2015.
- General revenues amounted to \$8,995,663 and \$8,703,998 or 79.88% and 79.16% 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 \$2,266,277 or 20.12% of total revenues for 2017, and \$2,291,117 or 20.84% of total revenues for 2016.
- The District had \$12,574,479 and \$12,299,815 in expenses for fiscal years 2017 and 2016; only \$2,266,277 for 2017 and \$2,291,117 for 2016 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$8,995,663 for 2017 and \$8,703,998 for 2016 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$9,181,066 in revenues and \$9,469,297 in expenditures for 2017, and \$9,062,668 in revenues and \$9,480,154 in expenditures for 2016. The General Fund's fund balance decreased by \$6,992 from 2016 to 2017, and decreased by \$290,380 from 2015 to 2016.
- Capital assets, net of accumulated depreciation, increased by \$33,614 for 2017 and decreased by \$80,756 for 2016. The net increase for 2017 was due to the addition of mobile equipment and furniture and equipment, coupled with the increase in accumulated depreciation.
- Long-term debt increased \$281,239 for 2017. This increase for 2017 was due primarily to the issuance of shortfall and three mill notes. The liability for compensated absences decreased by \$1,971 for 2017 and increased by \$6,709 for 2016.

OVERVIEW OF 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 TIPPAH 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 readers 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 non-fiduciary assets, deferred outflows, liabilities, and deferred inflows, with the differences between them reported as "net position." Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

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

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

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-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.

NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

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, are presented for purposes of additional analysis as required by the Mississippi Department of Education.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$9,694,610 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 as of June 30, 2017 and June 30, 2016.

NORTH TIPPAH 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	\$ 2,349,196	\$ 2,216,813	5.97 %
Capital assets, net	3,073,863	3,040,249	1.11 %
Total assets	<u>5,423,059</u>	<u>5,257,062</u>	<u>3.16</u> %
 Deferred outflows of resources	 <u>3,626,436</u>	 <u>2,753,984</u>	 <u>31.68</u> %
Current liabilities	48,950	40,641	20.44 %
Long-term debt outstanding	388,324	109,055	256.08 %
Net pension liability	18,219,926	15,807,379	15.26 %
Total liabilities	<u>18,657,200</u>	<u>15,957,075</u>	<u>16.92</u> %
 Deferred inflows of resources	 <u>86,905</u>	 <u>436,042</u>	 <u>(80.07)</u> %
 Net position:			
Net investment in capital assets	2,898,863	3,040,249	(4.65) %
Restricted	438,926	307,860	42.57 %
Unrestricted	(13,032,399)	(11,730,180)	(11.10) %
Total net position (deficit)	<u>\$ (9,694,610)</u>	<u>\$ (8,382,071)</u>	<u>(15.66)</u> %

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)	\$ (13,032,399)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	<u>14,680,395</u>
Unrestricted net position, exclusive of the net position liability effect	<u><u>\$ 1,647,996</u></u>

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

- Increase in net capital assets in the amount of \$33,614.
- Issuance of three mill and shortfall notes totaling \$281,239.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2017 and June 30, 2016 were \$11,261,940 and \$10,995,115, respectively. The total cost of all programs and services was \$12,574,479 for 2017 and \$12,299,815 for 2016.

NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

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

Table 2
Changes in Net Position

	<u>Year Ended June 30, 2017</u>	<u>Year Ended June 30, 2016</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 542,768	\$ 587,460	-7.61%
Operating grants and contributions	1,723,509	1,703,657	1.17%
General revenues:			
Property taxes	1,638,266	1,478,872	10.78%
Grants and contributions not restricted	7,322,582	7,187,534	1.88%
Investment earnings	16,181	15,206	6.41%
Other	18,634	22,386	-16.76%
Total revenues	<u>11,261,940</u>	<u>10,995,115</u>	<u>2.43%</u>
Expenses:			
Instruction	6,378,978	6,390,009	-0.17%
Support services	3,182,976	3,244,716	-1.90%
Non-instructional	786,224	832,106	-5.51%
Pension expense	2,221,204	1,832,984	21.18%
Interest on long-term liabilities	5,097	-	N/A%
Total expenses	<u>12,574,479</u>	<u>12,299,815</u>	<u>2.23%</u>
Decrease in net position	<u>(1,312,539)</u>	<u>(1,304,700)</u>	<u>-0.60%</u>
Net Position (Deficit), July 1	<u>(8,382,071)</u>	<u>(7,077,371)</u>	<u>-18.43%</u>
Net Position (Deficit), June 30	<u><u>\$ (9,694,610)</u></u>	<u><u>\$ (8,382,071)</u></u>	<u><u>-15.66%</u></u>

Governmental activities

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

NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2017	2016	
Instruction	\$ 6,378,978	\$ 6,390,009	-0.17%
Support services	3,182,976	3,244,716	-1.90%
Non-instructional	786,224	832,106	-5.51%
Pension expense	2,221,204	1,832,984	21.18%
Interest on long-term liabilities	5,097	-	N/A%
Total expenses	\$ 12,574,479	\$ 12,299,815	2.23%

	Net (Expense) Revenue		Percentage Change
	2017	2016	
Instruction	\$ (5,137,054)	\$ (5,191,172)	1.04%
Support services	(2,907,473)	(2,955,978)	1.64%
Non-instructional	(37,374)	(28,564)	-30.84%
Pension expense	(2,221,204)	(1,832,984)	-21.18%
Interest on long-term liabilities	(5,097)	-	N/A%
Total net (expense) revenue	\$ (10,308,202)	\$ (10,008,698)	-2.99%

- Net cost of governmental activities, (\$10,308,202 for 2017 and \$10,008,698 for 2016) was financed by general revenue, which is primarily made up of property taxes (\$1,638,266 for 2017 and \$1,478,872 for 2016) and state and federal revenues (\$7,322,582 for 2017 and \$7,187,534 for 2016).
- Investment earnings amounted to \$16,181 for 2017 and \$15,206 for 2016.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$2,305,343, an increase of \$129,171, which includes a decrease in inventory of \$1,316. \$1,625,654 or 70.52% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The remaining fund balance of \$679,689 or 29.48% is either non-spendable, restricted, or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, or assigned.

NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$6,992. The fund balance of Other Governmental Funds showed an increase of \$113,880. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
School Food Service Fund	\$22,283
Title I - A Basic Fund	no increase or decrease
Improving Teacher Quality Fund	no increase or decrease

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.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2017, the District's total capital assets were \$6,938,039, including land, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$195,527 from 2016. Total accumulated depreciation as of June 30, 2017, was \$3,864,176 and total depreciation expense for the year was \$168,138, resulting in total net capital assets of 3,073,863.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Land	\$ 101,780	\$ 101,780	0.00%
Buildings	2,116,527	2,164,766	-2.23%
Building improvements	366,109	389,029	-5.89%
Improvements other than buildings	11,666	14,000	-16.67%
Mobile equipment	375,722	286,559	31.12%
Furniture and equipment	102,059	84,115	21.33%
Total	<u>\$ 3,073,863</u>	<u>\$ 3,040,249</u>	<u>1.11%</u>

Additional information on the District's capital assets can be found in Note 4 included in this report.

Debt Administration. At June 30, 2017, the District had \$388,323 in outstanding long-term debt, of which \$121,348 is due within one year. The liability for compensated absences decreased \$1,971 from the prior year.

NORTH TIPPAAH CONSOLIDATED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

Table 5
Outstanding Long-Term Liabilities

	<u>2017</u>	<u>2016</u>	<u>Percentage Change</u>
Three mill notes payable	\$ 175,000	\$ -	N/A
Shortfall notes payable	106,239	-	N/A
Compensated absences payable	107,085	109,055	-1.81%
Total	\$ 388,324	\$ 109,055	256.08%

Additional information of the District's long-term liabilities can be found in Note 5 included in this report.

CURRENT ISSUES

The North Tippah Consolidated School District includes Chalybeate Elementary School, Falkner Elementary and High Schools, and Walnut Elementary and High Schools.

The North Tippah 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. In addition, 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 from 1,269 to 1,239 students.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report or need additional financial information, contact the Superintendent's Office of the North Tippah Consolidated School District, P. O. Box 65, Tiplersville, MS 38674.

FINANCIAL STATEMENTS

NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

Exhibit A

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 2,088,265
Due from other governments	231,776
Accrued interest receivable	1,274
Other receivables, net	1,719
Inventories	26,162
Capital assets, non-depreciable:	
Land	101,780
Capital assets, net of accumulated depreciation:	
Buildings	2,116,527
Building improvements	366,109
Improvements other than buildings	11,666
Mobile equipment	375,722
Furniture and equipment	102,059
Total Assets	5,423,059
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pensions	3,626,436
LIABILITIES	
Accounts payable and accrued liabilities	43,853
Interest payable on long-term liabilities	5,097
Long-term liabilities, due within one year:	
Capital related liabilities	86,634
Non-capital related liabilities	34,714
Long-term liabilities, due beyond one year:	
Capital related liabilities	88,366
Non-capital related liabilities	178,610
Net pension liability	18,219,926
Total Liabilities	18,657,200
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pensions	86,905
NET POSITION	
Net investment in capital assets	2,898,863
Restricted for:	
Expendable:	
School-based activities	304,048
Debt service	112,782
Unemployment benefits	22,096
Unrestricted	(13,032,399)
Total Net Position (Deficit)	\$ (9,694,610)

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

**NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Exhibit B

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 6,378,978	\$ 422,101	\$ 819,823	\$ (5,137,054)
Support services	3,182,976	-	275,503	(2,907,473)
Non-instructional	786,224	120,667	628,183	(37,374)
Pension expense	2,221,204	-	-	(2,221,204)
Interest on long-term liabilities	5,097	-	-	(5,097)
Total Governmental Activities	\$ 12,574,479	\$ 542,768	\$ 1,723,509	(10,308,202)
General Revenues:				
Taxes:				
General purpose levies				1,520,387
Debt purpose levies				117,879
Unrestricted grants and contributions:				
State				7,216,722
Federal				105,860
Unrestricted investment earnings				16,181
Other				18,634
Total General Revenues				8,995,663
Change in Net Position				(1,312,539)
Net Position (Deficit) - Beginning				(8,382,071)
Net Position (Deficit) - Ending				\$ (9,694,610)

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

**NORTH TIPPAAH CONSOLIDATED SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017**

Exhibit C

	Major Funds					
	General Fund	School Food Service Fund	Title I - A Basic Fund	Improving Teacher Quality Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 1,669,269	\$ 281,787	\$ -	\$ -	\$ 137,209	\$ 2,088,265
Due from other governments	156,189	-	41,694	16,992	16,901	231,776
Accrued interest receivable	1,136	129	-	-	9	1,274
Due from other funds	70,847	-	-	-	-	70,847
Inventories	-	26,162	-	-	-	26,162
Total Assets	\$ 1,897,441	\$ 308,078	\$ 41,694	\$ 16,992	\$ 154,119	\$ 2,418,324
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 36,121	\$ 5,270	\$ -	\$ 1,629	\$ 833	\$ 43,853
Due to other funds	-	658	41,694	15,363	11,413	69,128
Total Liabilities	36,121	5,928	41,694	16,992	12,246	112,981
Fund Balances:						
Nonspendable:						
Inventory	-	26,162	-	-	-	26,162
Restricted:						
Unemployment benefits	-	-	-	-	22,096	22,096
Debt service	-	-	-	-	117,879	117,879
Food service	-	275,988	-	-	-	275,988
Grant activities	-	-	-	-	1,898	1,898
Assigned:						
Activity funds	235,666	-	-	-	-	235,666
Unassigned	1,625,654	-	-	-	-	1,625,654
Total Fund Balances	1,861,320	302,150	-	-	141,873	2,305,343
Total Liabilities and Fund Balances	\$ 1,897,441	\$ 308,078	\$ 41,694	\$ 16,992	\$ 154,119	\$ 2,418,324

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

**NORTH TIPPAAH CONSOLIDATED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

JUNE 30, 2017

Exhibit C-1

Total Fund Balances for Governmental Funds	\$	2,305,343
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Amounts reported for governmental activities in the Statement
of Net Position are different because:

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

Land	\$	101,780	
Buildings		4,459,906	
Building improvements		573,003	
Improvements other than buildings		58,334	
Mobile equipment		1,372,917	
Furniture and equipment		372,099	
Accumulated depreciation		<u>(3,864,176)</u>	3,073,863

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

Net pension liability			(18,219,926)
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Deferred outflows and inflows of resources related to pensions
are applicable to future periods and, therefore, are not reported
in the funds:

Deferred outflows of resources related to pensions		3,626,436	
Deferred inflows of resources related to pensions		<u>(86,905)</u>	3,539,531

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

Notes payable		(281,239)	
Compensated absences payable		(107,085)	
Accrued interest payable		<u>(5,097)</u>	<u>(393,421)</u>

Net Position (Deficit) of Governmental Activities	\$	<u>(9,694,610)</u>
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The notes to the financial statements are an integral part of this statement.

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

Exhibit D

	Major Funds				Other	Total
	General	School	Title I - A	Improving	Governmental	Governmental
	Fund	Food Service	Basic	Teacher Quality	Funds	Funds
		Fund	Fund	Fund		
REVENUES:						
Local sources	\$ 1,975,358	\$ 122,493	\$ -	\$ -	\$ 117,998	\$ 2,215,849
State sources	7,100,611	7,267	-	-	354,484	7,462,362
Federal sources	105,097	700,844	339,412	82,184	356,192	1,583,729
Total Revenues	9,181,066	830,604	339,412	82,184	828,674	11,261,940
EXPENDITURES:						
Instruction	6,128,934	-	289,179	44,181	588,689	7,050,983
Support services	3,226,207	90,352	8,450	37,553	168,338	3,530,900
Non-instructional	114,156	716,653	-	-	-	830,809
Total Expenditures	9,469,297	807,005	297,629	81,734	757,027	11,412,692
Excess (Deficiency) of Revenues over (under) Expenditures	(288,231)	23,599	41,783	450	71,647	(150,752)
OTHER FINANCING SOURCES (USES):						
Notes issued	281,239	-	-	-	-	281,239
Operating transfers in	-	-	-	-	42,233	42,233
Operating transfers out	-	-	(41,783)	(450)	-	(42,233)
Total Other Financing Sources (Uses)	281,239	-	(41,783)	(450)	42,233	281,239
NET CHANGE IN FUND BALANCES	(6,992)	23,599	-	-	113,880	130,487
FUND BALANCES:						
July 1, 2016	1,868,312	279,867	-	-	27,993	2,176,172
Decrease in Inventory	-	(1,316)	-	-	-	(1,316)
June 30, 2017	\$ 1,861,320	\$ 302,150	\$ -	\$ -	\$ 141,873	\$ 2,305,343

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

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

Exhibit D-1

Net Change in Fund Balances - Total Governmental Funds **\$ 130,487**

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

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

Capital outlays	\$ 201,815	
Depreciation expense	<u>(168,138)</u>	33,677

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

(63)

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

Notes issued	(281,239)	
Accrued interest payable	<u>(5,097)</u>	(286,336)

4. Some items related to pensions and reported in the Statement of Activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. The activities include:

Pension expense	(2,221,204)	
Contributions subsequent to the measurement date	<u>1,030,246</u>	(1,190,958)

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

Change in compensated absences	1,970	
Change in inventory	<u>(1,316)</u>	<u>654</u>

Change in Net Position of Governmental Activities **\$ (1,312,539)**

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

**NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2017**

Exhibit E

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 691,759
Total Assets	\$ 691,759
LIABILITIES	
Accounts payable and accrued liabilities	\$ 613,469
Due to other funds	1,719
Due to student clubs	76,571
Total Liabilities	\$ 691,759

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

North Tippah Consolidated School District

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

NORTH TIPPAH 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 Tippah 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.
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.

NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The School District reports the following major governmental funds:

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

School Food Service Fund - This is a special revenue fund that accounts for food distribution under the national school breakfast and lunch programs.

Title I - A Basic Fund – This fund accounts for a federal grant which is used to supplement educational services for disadvantaged children.

Improving Teacher Quality Fund – This fund accounts for a federal grant which is used to improve the quality and effectiveness of teachers, principals, and other school leaders, and to provide low-income and minority students greater access to effective teachers, principals, and other school leaders.

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

The District's fiduciary funds include the following:

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

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

Student Club Funds – These funds are used to account for the transactions of student clubs.

Additionally, the School District reports on 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.

NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

FIDUCIARY FUNDS

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

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

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related 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.

NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

D. Encumbrances

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

E. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position/Fund Balances

1. Cash, Cash Equivalents and Investments

Cash and Cash Equivalents

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

Investments

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

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 TIPPAH CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

6. Capital Assets

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

NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The following schedule details the capitalization thresholds.

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
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	*	*
Intangible assets	\$100,000	**

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 4 for details.

(**) The District has no intangible assets over the threshold.

7. Deferred Outflows/Inflows of Resources

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

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

See Note 10 for further details.

NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Compensated Absences

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

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

9. Long-term Liabilities

In the government-wide financial statements, outstanding debt is reported as liabilities. The governmental fund financial statements recognize the proceeds of debt as other financing sources of the current period. See Note 5 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.

NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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 total revenues for the year. If the unassigned fund balance at fiscal year falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

12. Use of Estimates

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

NOTE 2 - CASH AND CASH EQUIVALENTS

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the School District's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann.

NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

(1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

NOTE 2 - CASH AND CASH EQUIVALENTS (Continued)

The carrying amount of the School District's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$2,088,265 and \$691,759, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the District. As of June 30, 2017, none of the District's bank balance of \$3,192,114 was exposed to custodial credit risk.

NOTE 3 – INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS

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

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	School Food Service Fund	\$ 658
General Fund	Title I - A Basic Fund	41,694
General Fund	Improving Teacher Quality	15,363
General Fund	Other Governmental Funds	11,413
General Fund	Fiduciary Funds	1,719
Total		<u>\$ 70,847</u>

Inter-fund receivables and payables resulted primarily from the general fund's loans to various special revenue funds to cover cash deficits in pooled bank accounts.

B. Inter-fund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
Title 1 - A Basic Fund	Other Governmental Funds	\$ 41,783
Improving Teacher Quality	Other Governmental Funds	450
Total		<u>\$ 42,233</u>

Inter-fund transfers were made for budgetary purposes and for the payment of indirect costs.

NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 4 - CAPITAL ASSETS

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

	Balance <u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2017</u>
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 101,780	\$ -	\$ -	\$ 101,780
Total non-depreciable capital assets	<u>101,780</u>	<u>-</u>	<u>-</u>	<u>101,780</u>
<u>Depreciable capital assets:</u>				
Buildings	4,459,906	-	-	4,459,906
Building improvements	573,003	-	-	573,003
Improvements other than buildings	58,334	-	-	58,334
Mobile equipment	1,219,917	153,000	-	1,372,917
Furniture and equipment	<u>329,572</u>	<u>48,815</u>	<u>6,288</u>	<u>372,099</u>
Total depreciable capital assets	<u>6,640,732</u>	<u>201,815</u>	<u>6,288</u>	<u>6,836,259</u>
<u>Less accumulated depreciation for:</u>				
Buildings	2,295,140	48,239	-	2,343,379
Building improvements	183,974	22,920	-	206,894
Improvements other than buildings	44,334	2,334	-	46,668
Mobile equipment	933,358	63,837	-	997,195
Furniture and equipment	<u>245,457</u>	<u>30,808</u>	<u>6,225</u>	<u>270,040</u>
Total accumulated depreciation	<u>3,702,263</u>	<u>168,138</u>	<u>6,225</u>	<u>3,864,176</u>
Total depreciable capital assets, net	<u>2,938,469</u>	<u>33,677</u>	<u>63</u>	<u>2,972,083</u>
Governmental activities capital assets, net	<u>\$ 3,040,249</u>	<u>\$ 33,677</u>	<u>\$ 63</u>	<u>\$ 3,073,863</u>

Depreciation expense was charged to the following governmental functions:

Governmental Activities:	<u>Amount</u>
Instruction	\$ 78,672
Support services	53,997
Non-instructional	<u>35,469</u>
Total depreciation expense	<u>\$ 168,138</u>

NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 5 - LONG-TERM LIABILITIES

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

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due Within One Year
A. Three mill notes payable	\$ -	\$ 175,000	\$ -	\$ 175,000	\$ 86,634
B. Shortfall notes payable	-	106,239	-	106,239	34,714
C. Compensated absences payable	109,055	-	1,970	107,085	-
Total	\$ 109,055	\$ 281,239	\$ 1,970	\$ 388,324	\$ 121,348

A. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Note, Series 2016	2.00%	7/21/16	7/21/18	<u>\$ 175,000</u>	<u>\$ 175,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2018	\$ 86,634	\$ 3,500	\$ 90,134
2019	<u>88,366</u>	<u>1,767</u>	<u>90,133</u>
Total	<u>\$ 175,000</u>	<u>\$ 5,267</u>	<u>\$ 180,267</u>

This debt will be retired from the Three Mill Notes Debt Service Fund.

B. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Revenue Shortfall Note, Series 2016	2.00%	8/25/16	8/25/19	<u>\$ 106,239</u>	<u>\$ 106,239</u>

The amount outstanding, less ad valorem tax receipts during the year, is included in due from other governments on the Statement of Net Position.

NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 5 - LONG-TERM LIABILITIES (Continued)

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

Year Ending June 30,	Principal	Interest	Total
2018	\$ 34,714	\$ 2,125	\$ 36,839
2019	35,408	1,431	36,839
2020	36,117	722	36,839
Total	<u>\$ 106,239</u>	<u>\$ 4,278</u>	<u>\$ 110,517</u>

This debt will be retired from the Shortfall Note Debt Service 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 6 - DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up

NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 6 - DEFINED BENEFIT PENSION PLAN (Continued)

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 \$1,030,246, \$1,027,724, and \$1,006,205, respectively, which equaled the required contributions for each year.

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

At June 30, 2017, the School District reported a liability of \$18,219,926 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 0.102001 percent, which was based on a measurement date of June 30, 2016. This was a decrease of 0.000259 percent from its proportionate share used to calculate the June 30, 2016 net pension liability, which was based on a measurement date of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$2,221,204. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 6 - DEFINED BENEFIT PENSION PLAN (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 643,752	\$ -
Net difference between projected and actual earnings on pension plan investments	1,227,554	-
Changes of assumptions	861,108	48,416
Changes in proportion and differences between District contributions and proportionate share of contributions	(136,224)	38,489
District contributions subsequent to the measurement date	<u>1,030,246</u>	<u>-</u>
Total	<u><u>\$ 3,626,436</u></u>	<u><u>\$ 86,905</u></u>

\$1,030,246 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2018	\$ 865,463
2019	651,367
2020	632,518
2021	<u>359,937</u>
	<u><u>\$ 2,509,285</u></u>

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

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

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

NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 6 - DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 23,362,030	\$ 18,219,926	\$ 13,953,646

NORTH TIPPAAH CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 6 - DEFINED BENEFIT PENSION PLAN (Continued)

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 7 - 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 a 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 8 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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 9 - VOCATIONAL SCHOOL CONSORTIUM

The School District entered into a Vocational Educational Agreement dated August 24, 1981, creating the North and South Tippah County Vocational - Technical Center. This center was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the North Tippah Consolidated School District and the South Tippah School District. The name of the center has been changed to the Tippah Career and Technology Center.

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

The South Tippah School District has been designated as the fiscal agent for the Tippah Career and Technology Center, and the operations of the center are included in its financial statements.

NORTH TIPPAAH CONSOLIDATED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 10 – EFFECT OF DEFERRED AMOUNTS ON NET POSITION

The unrestricted net position amount of (\$13,032,399) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$1,030,246 resulting from the school district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The \$2,596,190 balance of deferred outflow of resources, at June 30, 2017, will be recognized as an expense and will decrease the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$13,032,399) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$86,905 balance of deferred inflow of resources, at June 30, 2017, will be recognized as revenue and will increase the unrestricted net position over the next 3 years.

NOTE 11 – SUBSEQUENT EVENTS

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the North Tippah 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 statements.

REQUIRED SUPPLEMENTARY INFORMATION

**NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017**

Schedule 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES:					
Local sources	\$ 2,142,701	\$ 2,136,658	\$ 1,975,358	\$ (6,043)	\$ (161,300)
State sources	7,191,118	7,169,414	7,100,611	(21,704)	(68,803)
Federal sources	105,700	96,254	105,097	(9,446)	8,843
Total Revenues	9,439,519	9,402,326	9,181,066	(37,193)	(221,260)
EXPENDITURES:					
Instruction	6,015,258	6,377,440	6,128,934	(362,182)	248,506
Support services	3,429,271	3,735,702	3,226,207	(306,431)	509,495
Non-instructional	107,550	134,542	114,156	(26,992)	20,386
Facilities acquisition and construction	-	500	-	(500)	500
Total Expenditures	9,552,079	10,248,184	9,469,297	(696,105)	778,887
Excess (Deficiency) of Revenues over (under) Expenditures	(112,560)	(845,858)	(288,231)	(733,298)	557,627
OTHER FINANCING SOURCES (USES):					
Notes issued	-	281,239	281,239	281,239	-
Sale of Transportation Equipment	1,105	-	-	(1,105)	-
Operating transfers in	50,000	-	-	(50,000)	-
Operating transfers out	(1,000)	(1,221)	-	(221)	1,221
Total Other Financing Sources (Uses)	50,105	280,018	281,239	229,913	1,221
NET CHANGE IN FUND BALANCE	(62,455)	(565,840)	(6,992)	(503,385)	558,848
FUND BALANCE:					
July 1, 2016	1,868,312	1,868,312	1,868,312	-	-
June 30, 2017	\$ 1,805,857	\$ 1,302,472	\$ 1,861,320	\$ (503,385)	\$ 558,848

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

**NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE SCHOOL FOOD SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2017**

Schedule 2

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES:					
Local sources	\$ 123,900	\$ 123,900	\$ 122,493	\$ -	\$ (1,407)
State sources	8,000	8,000	7,267	-	(733)
Federal sources	630,550	630,550	700,844	-	70,294
Total Revenues	762,450	762,450	830,604	-	68,154
EXPENDITURES:					
Support services	81,359	101,278	90,352	(19,919)	10,926
Non-instructional	679,681	748,864	716,653	(69,183)	32,211
Total Expenditures	761,040	850,142	807,005	(89,102)	43,137
Excess (Deficiency) of Revenues over (under) Expenditures	1,410	(87,692)	23,599	(89,102)	111,291
OTHER FINANCING SOURCES (USES):					
Operating transfers out	-	(55,634)	-	(55,634)	55,634
Total Other Financing Sources (Uses)	-	(55,634)	-	(55,634)	55,634
NET CHANGE IN FUND BALANCE	1,410	(143,326)	23,599	(144,736)	166,925
FUND BALANCE:					
July 1, 2016	279,867	279,867	279,867	-	-
Decrease in Inventory	-	-	(1,316)	-	(1,316)
June 30, 2017	\$ 281,277	\$ 136,541	\$ 302,150	\$ (144,736)	\$ 165,609

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

**NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE TITLE I - A BASIC FUND
FOR THE YEAR ENDED JUNE 30, 2017**

Schedule 3

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES:					
Federal sources	\$ 458,982	\$ 459,282	\$ 339,412	\$ 300	\$ (119,870)
Total Revenues	458,982	459,282	339,412	300	(119,870)
EXPENDITURES:					
Instruction	400,909	416,231	289,179	(15,322)	127,052
Support services	16,573	10,580	8,450	5,993	2,130
Total Expenditures	417,482	426,811	297,629	(9,329)	129,182
Excess (Deficiency) of Revenues over (under) Expenditures	41,500	32,471	41,783	(9,029)	9,312
OTHER FINANCING SOURCES (USES):					
Operating transfers out	(41,500)	(42,864)	(41,783)	(1,364)	1,081
Total Other Financing Sources (Uses)	(41,500)	(42,864)	(41,783)	(1,364)	1,081
NET CHANGE IN FUND BALANCE	-	(10,393)	-	(10,393)	10,393
FUND BALANCE:					
July 1, 2016	-	-	-	-	-
June 30, 2017	\$ -	\$ (10,393)	\$ -	\$ (10,393)	\$ 10,393

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

**NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE IMPROVING TEACHER QUALITY FUND
FOR THE YEAR ENDED JUNE 30, 2017**

Schedule 4

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES:					
Federal sources	\$ 94,093	\$ 92,743	\$ 82,184	\$ (1,350)	\$ (10,559)
Total Revenues	94,093	92,743	82,184	(1,350)	(10,559)
EXPENDITURES:					
Instruction	93,643	58,984	44,181	34,659	14,803
Support services	-	53,380	37,553	(53,380)	15,827
Total Expenditures	93,643	112,364	81,734	(18,721)	30,630
Excess (Deficiency) of Revenues over (under) Expenditures	450	(19,621)	450	(20,071)	20,071
OTHER FINANCING SOURCES (USES):					
Operating transfers out	(450)	(450)	(450)	-	-
Total Other Financing Sources (Uses)	(450)	(450)	(450)	-	-
NET CHANGE IN FUND BALANCE	-	(20,071)	-	(20,071)	20,071
FUND BALANCE:					
July 1, 2016	-	-	-	-	-
June 30, 2017	\$ -	\$ (20,071)	\$ -	\$ (20,071)	\$ 20,071

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

**NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY - PERS
LAST 10 FISCAL YEARS***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	\$ 18,219,926	\$ 15,807,379	\$ 12,120,218
District's proportionate share of the net pension liability (asset)	0.102001%	0.102260%	0.102620%
District's covered payroll	\$ 6,525,230	\$ 6,388,603	\$ 6,270,635
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	279.22%	247.43%	193.29%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.70%	67.21%

* 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.

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

**NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - PERS
LAST 10 FISCAL YEARS***

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,030,246	\$ 1,027,724	\$ 1,006,205
Contributions in relation to the contractually required contribution	<u>1,030,246</u>	<u>1,027,724</u>	<u>1,006,205</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's covered payroll	\$ 6,541,236	\$ 6,525,230	\$ 6,388,603
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%

*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.

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

North Tippah Consolidated School District

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

Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) Changes in benefit provisions

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 TIPPAH 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 Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child Nutrition Cluster:		
School breakfast program	10.553	\$ 192,008
National school lunch program	10.555	508,106
Total Child Nutrition Cluster		700,114
Total U.S. Department of Agriculture		700,114
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Rehabilitation Services:		
Rehabilitation services - vocational rehabilitation grants to states	84.126	196
Total passed-through Mississippi Department of Rehabilitation Services		196
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	339,412
Rural education	84.358	55,310
Supporting effective instruction state grant	84.367	82,184
Subtotal		476,906
Special education cluster:		
Special education - grants to states	84.027	283,954
Special education - preschool grants	84.173	16,837
Total special education cluster		300,791
Total passed-through Mississippi Department of Education		777,697
Total U.S. Department of Education		777,893
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	18,859
Total U.S. Department of Health and Human Services		18,859
Total for All Federal Awards		\$ 1,496,866

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

**NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE,
AND OTHER EXPENDITURES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

Expenditures	Total	Instruction and Other Student Instructional	General	School	Other
		Expenditures	Administration	Administration	
Salaries and fringe benefits	\$ 8,867,875	\$ 7,027,911	\$ 307,478	\$ 681,779	\$ 850,707
Other	2,544,817	674,221	147,913	31,921	1,690,762
Total	\$ 11,412,692	\$ 7,702,132	\$ 455,391	\$ 713,700	\$ 2,541,469
Total number of students*	1,239				
Cost per student	\$ 9,211	\$ 6,216	\$ 368	\$ 576	\$ 2,051

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

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

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

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

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

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

North Tippah 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 \$46,462 are included in the National School Lunch Program.

OTHER INFORMATION

NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUND
LAST FOUR YEARS

	<u>2017</u>	<u>2016*</u>	<u>2015*</u>	<u>2014*</u>
REVENUES:				
Local sources	\$ 1,975,358	\$ 1,981,420	\$ 1,964,370	\$ 1,861,177
State sources	7,100,611	6,993,722	6,886,989	6,898,614
Federal sources	<u>105,097</u>	<u>87,526</u>	<u>97,284</u>	<u>83,159</u>
Total Revenues	<u>9,181,066</u>	<u>9,062,668</u>	<u>8,948,643</u>	<u>8,842,950</u>
EXPENDITURES:				
Instruction	6,128,934	6,229,065	6,005,146	5,920,134
Support services	3,226,207	3,161,128	3,093,787	3,206,130
Non-instructional	114,156	89,961	124,153	124,582
Facilities acquisition and construction	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,659</u>
Total Expenditures	<u>9,469,297</u>	<u>9,480,154</u>	<u>9,223,086</u>	<u>9,261,505</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(288,231)</u>	<u>(417,486)</u>	<u>(274,443)</u>	<u>(418,555)</u>
OTHER FINANCING SOURCES (USES):				
Notes issued	281,239	-	-	-
Insurance recovery	-	-	643	61,223
Sale of transportation equipment	-	-	1,105	-
Sale of other property	-	1,777	-	-
Operating transfers in	-	125,329	28	17,213
Operating transfers out	<u>-</u>	<u>-</u>	<u>(4,200)</u>	<u>(1,066)</u>
Total Other Financing Sources (Uses)	<u>281,239</u>	<u>127,106</u>	<u>(2,424)</u>	<u>77,370</u>
NET CHANGE IN FUND BALANCES	(6,992)	(290,380)	(276,867)	(341,185)
FUND BALANCES:				
July 1	<u>1,868,312</u>	<u>2,158,692</u>	<u>2,435,559</u>	<u>2,776,744</u>
June 30	<u>\$ 1,861,320</u>	<u>\$ 1,868,312</u>	<u>\$ 2,158,692</u>	<u>\$ 2,435,559</u>

*Source - Prior year audit reports

NORTH TIPPAH CONSOLIDATED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
LAST FOUR YEARS

	<u>2017</u>	<u>2016*</u>	<u>2015*</u>	<u>2014*</u>
REVENUES:				
Local sources	\$ 2,215,849	\$ 2,103,263	\$ 2,099,451	\$ 2,027,050
State sources	7,462,362	7,362,733	7,160,620	7,147,577
Federal sources	<u>1,583,729</u>	<u>1,528,459</u>	<u>1,513,761</u>	<u>1,490,181</u>
Total Revenues	<u>11,261,940</u>	<u>10,994,455</u>	<u>10,773,832</u>	<u>10,664,808</u>
EXPENDITURES:				
Instruction	7,050,983	7,066,292	6,831,576	6,607,910
Support services	3,530,900	3,465,571	3,379,393	3,537,850
Non-instructional	830,809	880,613	841,961	869,462
Facilities acquisition and construction	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,659</u>
Total Expenditures	<u>11,412,692</u>	<u>11,412,476</u>	<u>11,052,930</u>	<u>11,025,881</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(150,752)</u>	<u>(418,021)</u>	<u>(279,098)</u>	<u>(361,073)</u>
OTHER FINANCING SOURCES (USES):				
Notes issued	281,239	-	-	-
Insurance recovery	-	-	643	61,223
Sale of transportation equipment	-	-	1,105	-
Sale of other property	-	1,777	-	-
Operating transfers in	42,233	153,965	4,228	46,573
Operating transfers out	<u>(42,233)</u>	<u>(153,965)</u>	<u>(4,228)</u>	<u>(46,573)</u>
Total Other Financing Sources (Uses)	<u>281,239</u>	<u>1,777</u>	<u>1,748</u>	<u>61,223</u>
NET CHANGE IN FUND BALANCES	130,487	(416,244)	(277,350)	(299,850)
FUND BALANCES:				
July 1	2,176,172	2,588,148	2,864,559	3,166,933
Increase (Decrease) in Inventory	<u>(1,316)</u>	<u>4,268</u>	<u>939</u>	<u>(2,524)</u>
June 30	\$ <u>2,305,343</u>	\$ <u>2,176,172</u>	\$ <u>2,588,148</u>	\$ <u>2,864,559</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 Tippah 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 Tippah 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 Tippah Consolidated School District's basic financial statements, and have issued our report thereon dated April 5, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the North Tippah 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
April 5, 2018

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
North Tippah Consolidated School District

Report on Compliance for Each Major Federal Program

We have audited North Tippah 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 Tippah Consolidated School District's major federal program for the year ended June 30, 2017. The North Tippah 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 Tippah 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.

Opinion on Each Major Federal Program

In our opinion, the North Tippah 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 Tippah Consolidated School District is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered North Tippah 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
April 5, 2018

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
North Tippah 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 Tippah Consolidated School District as of and for the year ended June 30, 2017, which collectively comprise North Tippah Consolidated School District's basic financial statements and have issued our report thereon dated April 5, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

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

Finding 1:

Criteria:

Section 71-5-359, Miss. Code Ann. (1972), requires that Mississippi Public School Districts maintain cash and investment balance in the Unemployment Compensation Fund equal to 2% of applicable wages.

Condition:

North Tippah Consolidated School District required a balance of \$25,560 but only had \$22,087 in the fund.

Cause:

The cause of the above condition is primarily due to lack of controls in place to ensure compliance with state requirements.

Effect:

The District failed to maintain the minimum balance required and as a result was not in compliance with Section 71-5-359, Miss. Code Ann. (1972).

Recommendation:

The District should comply with Section 71-5-359, Miss. Code Ann. (1972).

Response:

In response to this finding, the District will transfer sufficient funds into the Unemployment Compensation Fund to maintain the balance required by Section 71-5-359, Miss Code Ann. (1972). The District will also monitor this Fund closely in the future to ensure the balance is adequate.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the finding in this report to ensure that corrective action has been taken. The North Tippah Consolidated School District's response to the finding including in this report was not audited and, accordingly, we express no opinion on it.

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
April 5, 2018

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

North Tippah 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
84.010	Title I Grants to Local Educational Agencies

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.