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Noxubee County School District

Audited Financial Statements
For the Year Ended June 30, 2017

Fortenberry & Ballard, PC
Certified Public Accountants

**Noxubee County School District
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Noxubee County School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 8 to 19 and 59 to 64, 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 Noxubee County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2019, on our consideration of the Noxubee County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Noxubee County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Noxubee County School District's internal control over financial reporting and compliance.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
June 4, 2019

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

FINANCIAL HIGHLIGHTS

- Total net position for 2017 decreased \$1,209,913, including a prior period adjustment of \$155,303, which represents a 25% decrease from fiscal year 2016. Total net position for 2016 increased \$1,066,918, including a prior period adjustment of \$101,644, which represents an 18% increase from fiscal year 2015.
- General revenues amounted to \$13,394,036 and \$14,439,557, or 77% and 77% of all revenues for fiscal years 2017 and 2016, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,096,228, or 23% of total revenues for 2017, and \$4,296,278, or 23% of total revenues for 2016.
- The District had \$18,855,480 and \$17,770,561 in expenses for fiscal years 2017 and 2016; only \$4,096,228 for 2017 and \$4,296,278 for 2016 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$13,394,036 for 2017 were not adequate to provide for these programs. However, \$14,439,557 for 2016 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$12,435,264 in revenues and \$12,980,081 in expenditures for 2017, and \$12,641,717 in revenues and \$12,771,681 in expenditures for 2016. The General Fund's fund balance decreased by \$535,008, including a prior period adjustment of \$155,303, from 2016 to 2017, and increased by \$392,018, including a prior period adjustment of \$100,987, from 2015 to 2016.
- Capital assets, net of accumulated depreciation, decreased by \$162,453 for 2017 and decreased by \$262,769 for 2016. The decrease for 2017 was due primarily to recording of depreciation expense during the year.
- Long-term debt decreased by \$742,000 for 2017 and decreased by \$720,000 for 2016. This decrease for 2017 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$6,258 for 2017 and decreased by \$31,179 for 2016.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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 the Schedule of District Contributions as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each major special revenue fund as required by the Governmental Accounting Standards Board.

Supplementary Information

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

Other Information

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

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

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 \$6,105,320 as of June 30, 2017.

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

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

Table 1
Condensed Statement of Net Position

	June 30, 2017	June 30, 2016	Percentage
Current assets	\$ 4,288,127	4,603,514	(7)%
Restricted assets	341,240	759,014	(55)%
Capital assets, net	14,160,758	14,323,211	(1)%
Total assets	18,790,125	19,685,739	(5)%
Deferred outflows of resources	6,235,314	3,905,672	60%
Current liabilities	1,593,661	1,790,185	(11)%
Long-term debt outstanding	1,731,795	2,480,053	(30)%
Net pension liability	25,481,567	22,480,147	13%
Total liabilities	28,807,023	26,750,385	8%
Deferred inflows of resources	2,323,736	1,736,433	34%
Net position:			
Net investment in capital assets	12,490,758	11,911,211	5%
Restricted	2,644,070	2,645,699	0%
Unrestricted	(21,240,148)	(19,452,317)	(9)%
Total net position (deficit)	\$ (6,105,320)	(4,895,407)	(25)%

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

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (21,240,148)
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>21,569,989</u>
Unrestricted net position, exclusive of the net pension liability effect	<u><u>\$ 329,841</u></u>

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

- Decrease in net capital assets in the amount of \$162,453.
- The principal retirement of \$742,000 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2017 and June 30, 2016 were \$17,490,264 and \$18,735,835, respectively. The total cost of all programs and services was \$18,855,480 for 2017 and \$17,770,561 for 2016.

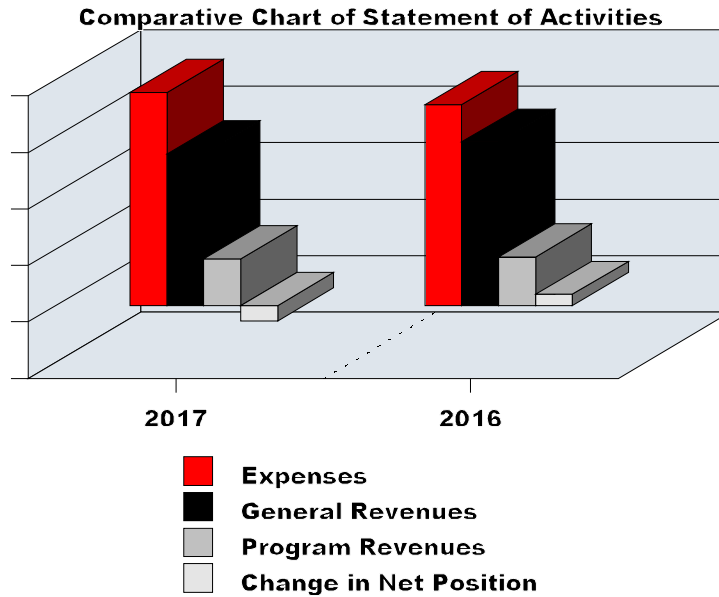
Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2017 and June 30, 2016.

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

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	\$ 271,021	258,538	5%
Operating grants and contributions	3,825,207	4,037,740	(5)%
General revenues:			
Property taxes	3,646,477	3,842,121	(5)%
Grants and contributions not restricted	8,939,132	9,137,401	(2)%
Unrestricted investment earnings	24,271	25,751	(6)%
Sixteenth section resources	723,033	570,550	27%
Other	61,123	863,734	(93)%
Total revenues	<u>17,490,264</u>	<u>18,735,835</u>	(7)%
Expenses:			
Instruction	7,748,562	8,096,330	(4)%
Support services	7,148,305	6,575,961	9%
Non-instructional	1,240,363	1,222,998	1%
Sixteenth section	90,429	90,500	0%
Pension expense	2,549,168	1,668,486	53%
Interest on long-term liabilities	78,653	116,286	(32)%
Total expenses	<u>18,855,480</u>	<u>17,770,561</u>	6%
Increase (Decrease) in net position	<u>(1,365,216)</u>	<u>965,274</u>	(241)%
Net Position (Deficit) , July 1, as previously reported	(4,895,407)	(5,962,325)	18%
Prior period adjustment	<u>155,303</u>	<u>101,644</u>	53%
Net Position(Deficit), July 1, as restated	<u>(4,740,104)</u>	<u>(5,860,681)</u>	19%
Net Position (Deficit), June 30	<u>\$ (6,105,320)</u>	<u>(4,895,407)</u>	(25)%

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



Governmental activities

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

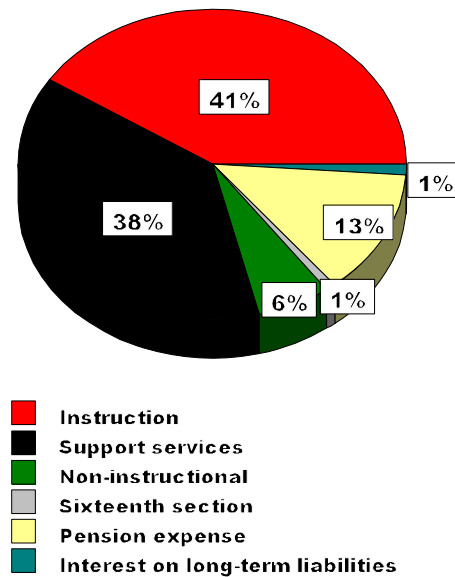
Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		
	2017	2016	Percentage Change
Instruction	\$ 7,748,562	8,096,330	(4)%
Support services	7,148,305	6,575,961	9%
Non-instructional	1,240,363	1,222,998	1%
Sixteenth section	90,429	90,500	0%
Pension expense	2,549,168	1,668,486	53%
Interest on long-term liabilities	78,653	116,286	(32)%
Total expenses	\$ 18,855,480	17,770,561	6%

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

	Net (Expense) Revenue		
	2017	2016	Percentage Change
Instruction	\$ (6,611,152)	(6,901,144)	4%
Support services	(5,554,322)	(4,802,982)	(16)%
Non-instructional	66,359	73,933	(10)%
Sixteenth section	(32,316)	(59,318)	46%
Pension expense	(2,549,168)	(1,668,486)	(53)%
Interest on long-term liabilities	(78,653)	(116,286)	32%
Total net (expense) revenue	\$ (14,759,252)	(13,474,283)	(10)%

Chart of Expenses as per Statement of Activities



- Net cost of governmental activities (\$14,759,252 for 2017 and \$13,474,283 for 2016) was financed by general revenue, which is primarily made up of property taxes (\$3,646,477 for 2017 and \$3,842,121 for 2016) and state and federal revenues of (\$8,939,132 for 2017 and \$9,137,401 for 2016). In addition, there was \$723,033 and \$570,550 in Sixteenth Section sources for 2017 and 2016, respectively.
- Investment earnings amounted to \$24,271 for 2017 and \$25,751 for 2016.

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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$3,055,620, a decrease of \$545,555, which includes a prior period adjustment of \$155,303 and an increase in inventory of \$10,597. \$367,007, or 12% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted or assigned to specific purposes within the general fund. The remaining fund balance of \$2,688,613 or 88% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$535,008, including a prior period adjustment of \$155,303. The fund balance of Other Governmental Funds showed a decrease in the amount of \$58,105. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund		Increase (Decrease)
School Lunch Fund	\$	46,411
Title I A Basic Fund	\$	1,147
Sixteenth Section Principal 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 Noxubee County School District.

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2017, the District's total capital assets were \$25,902,692, including land, school buildings, building improvements, improvements other than buildings, mobile equipment, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$175,786 from 2016. Total accumulated depreciation as of June 30, 2017, was \$11,741,934, and total depreciation expense for the year was \$626,751, resulting in total net capital assets of \$14,160,758.

Table 4
Capital Assets, Net Accumulated Depreciation

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Land	\$ 49,211	49,211	0%
Buildings	11,389,086	11,464,922	(1)%
Building improvements	1,494,491	1,633,958	(9)%
Improvements other than buildings	122,797	132,550	(7)%
Mobile equipment	995,130	891,651	12%
Furniture and equipment	110,043	150,919	(27)%
Total	<u>\$ 14,160,758</u>	<u>14,323,211</u>	<u>(1)%</u>

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

Debt Administration. At June 30, 2017, the District had \$1,731,795 in outstanding long-term debt, of which \$1,125,000 is due within one year. The liability for compensated absences decreased \$6,258 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 830,000	1,105,000	(25)%
Limited obligation bonds payable	695,000	1,025,000	(32)%
Three mill notes payable	145,000	282,000	(49)%
Compensated absences payable	61,795	68,053	(9)%
Total	<u>\$ 1,731,795</u>	<u>2,480,053</u>	<u>(30)%</u>

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

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

CURRENT ISSUES

The Noxubee County School District is financially stable. The District is proud of its community support of the public schools.

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

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

Enrollment for the 2016 - 2017 year decreased by 5% to 1,617 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Noxubee County School District, PO Box 540, Macon, MS 39141.

FINANCIAL STATEMENTS

NOXUBEE COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2017

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 3,623,708
Investments	5,677
Due from other governments	617,279
Other receivables, net	9,539
Inventories	31,924
Restricted assets	341,240
Capital assets, non-depreciable:	
Land	49,211
Capital assets, net of accumulated depreciation:	
Buildings	11,389,086
Building improvements	1,494,491
Improvements other than buildings	122,797
Mobile equipment	995,130
Furniture and equipment	110,043
Total Assets	<u>18,790,125</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	6,235,314
Total Deferred Outflows of Resources	<u>6,235,314</u>
Liabilities	
Accounts payable and accrued liabilities	1,171,791
Unearned revenue	401,956
Interest payable on long-term liabilities	19,914
Long-term liabilities, due within one year:	
Capital related liabilities	1,125,000
Long-term liabilities, due beyond one year:	
Capital related liabilities	545,000
Non-capital related liabilities	61,795
Net pension liability	25,481,567
Total Liabilities	<u>28,807,023</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	2,323,736
Total Deferred Inflows of Resources	<u>2,323,736</u>
Net Position	
Net Investment in Capital Assets	12,490,758
Restricted For:	
Expendable:	
School-based activities	890,470
Debt service	517,858
Forestry improvements	243,084
Unemployment benefits	25,320
Nonexpendable:	
Sixteenth section	967,338
Unrestricted	(21,240,148)
Total Net Position (Deficit)	<u>\$ (6,105,320)</u>

The accompanying notes are an integral part of this statement.

NOXUBEE COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities:				Governmental Activities
Instruction	7,748,562	161,396	976,014	(6,611,152)
Support services	7,148,305	--	1,593,983	(5,554,322)
Noninstructional services	1,240,363	51,512	1,255,210	66,359
Sixteenth section	90,429	58,113	--	(32,316)
Pension expense	2,549,168	--	--	(2,549,168)
Interest on long-term liabilities	78,653	--	--	(78,653)
Total Governmental Activities	<u>\$ 18,855,480</u>	<u>\$ 271,021</u>	<u>\$ 3,825,207</u>	<u>(14,759,252)</u>
General Revenues:				
Taxes:				
General purpose levies				3,197,156
Debt purpose levies				449,321
Unrestricted grants and contributions:				
State				8,778,439
Federal				160,693
Unrestricted investment earnings				24,271
Sixteenth section sources				723,033
Other				61,123
Total General Revenues				<u>13,394,036</u>
Change in Net Position				<u>(1,365,216)</u>
Net Position (Deficit) - Beginning, as previously reported				(4,895,407)
Prior Period Adjustment				155,303
Net Position (Deficit) - Beginning, as restated				<u>(4,740,104)</u>
Net Position (Deficit) - Ending				<u>\$ (6,105,320)</u>

The accompanying notes are an integral part of this statement.

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NOXUBEE COUNTY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	School Lunch Fund
	<hr/>	<hr/>
Assets:		
Cash and cash equivalents	\$ 2,218,093	\$ 903,738
Cash with fiscal agents	--	--
Investments	5,677	--
Due from other governments	119,080	1,452
Other receivables, net	--	--
Due from other funds	177,245	9,444
Advances to other funds	--	--
Inventories	--	31,924
Total Assets	<u>\$ 2,520,095</u>	<u>\$ 946,558</u>
Liabilities and Fund Balances		
Liabilities:		
Accounts payable and accrued liabilities	\$ 944,324	\$ 64,081
Due to other funds	365,418	122,343
Advances from other funds	818,717	--
Unearned revenue	--	--
Total Liabilities	<u>2,128,459</u>	<u>186,424</u>
Fund Balances:		
Nonspendable:		
Inventory	--	31,924
Advances	--	--
Permanent fund principal	--	--
Restricted:		
Unemployment benefits	--	--
Forestry improvements	--	--
Debt service	--	--
Grant activities	--	--
Food service	--	728,210
Assigned:		
Activity funds	24,629	--
Unassigned	<u>367,007</u>	<u>--</u>
Total Fund Balances	<u>391,636</u>	<u>760,134</u>
Total Liabilities and Fund Balances	<u>\$ 2,520,095</u>	<u>\$ 946,558</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C

Title I A Basic Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 164,576	\$ 501,877	\$ 3,788,284
--	--	174,243	174,243
--	2,421	--	8,098
146,384	--	354,142	621,058
--	--	9,539	9,539
375,533	--	35,795	598,017
--	818,717	--	818,717
--	--	--	31,924
<u>\$ 521,917</u>	<u>\$ 985,714</u>	<u>\$ 1,075,596</u>	<u>\$ 6,049,880</u>
\$ 75,877	\$ --	\$ 87,509	\$ 1,171,791
47,812	18,376	47,847	601,796
--	--	--	818,717
379,289	--	22,667	401,956
<u>502,978</u>	<u>18,376</u>	<u>158,023</u>	<u>2,994,260</u>
--	--	--	31,924
--	818,717	--	818,717
--	148,621	--	148,621
--	--	25,320	25,320
--	--	243,084	243,084
--	--	537,772	537,772
18,939	--	107,191	126,130
--	--	4,206	732,416
--	--	--	24,629
--	--	--	367,007
18,939	967,338	917,573	3,055,620
<u>\$ 521,917</u>	<u>\$ 985,714</u>	<u>\$ 1,075,596</u>	<u>\$ 6,049,880</u>

NOXUBEE COUNTY SCHOOL DISTRICT

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

Total fund balances for governmental funds balance sheet	\$ 3,055,620
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	14,160,758
Liabilities due in one year are not recognized in the funds.	(1,125,000)
Payables for bond principal which are not due in the current period are not reported in the funds.	(545,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(19,914)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(61,795)
Recognition of the School District's proportionate share of the net pension liability is not reported in the funds.	(25,481,567)
Deferred Inflows of Resources related to the pension plan are not reported in the funds.	(2,323,736)
Deferred Outflows of Resources related to the pension plan are not reported in the funds.	6,235,314
Net position of governmental activities	\$ <u>(6,105,320)</u>

The accompanying notes are an integral part of this statement.

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NOXUBEE COUNTY SCHOOL DISTRICT

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

	General Fund	School Lunch Fund
Revenues:		
Local sources	\$ 3,421,237	\$ 53,594
State sources	8,152,582	25,601
Federal sources	137,012	1,242,337
Sixteenth section sources	724,433	--
Total Revenues	<u>12,435,264</u>	<u>1,321,532</u>
Expenditures:		
Instruction	6,603,804	--
Support services	6,089,999	150,701
Noninstructional services	1,280	1,012,674
Sixteenth section	49,998	--
Facilities acquisition and construction	235,000	--
Debt service:		
Principal	--	--
Interest	--	--
Other	--	--
Total Expenditures	<u>12,980,081</u>	<u>1,163,375</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(544,817)</u>	<u>158,157</u>
Other Financing Sources (Uses):		
Insurance recovery	34,242	--
Operating transfers in	182,342	--
Operating transfers out	(362,078)	(122,343)
Total Other Financing Sources (Uses)	<u>(145,494)</u>	<u>(122,343)</u>
Net change in fund balances	<u>(690,311)</u>	<u>35,814</u>
Fund Balances:		
July 1, 2016, as previously reported	926,644	713,723
Prior period adjustments	155,303	--
July 1, 2016, as restated	<u>1,081,947</u>	<u>713,723</u>
Increase (Decrease) in inventory	--	10,597
June 30, 2017	<u>\$ 391,636</u>	<u>\$ 760,134</u>

The accompanying notes are an integral part of this statement.

Title I A Basic Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
\$ 136	\$ --	\$ 449,736	\$ 3,924,703
--	--	1,165,009	9,343,192
1,305,799	--	735,999	3,421,147
--	18,376	58,414	801,223
<u>1,305,935</u>	<u>18,376</u>	<u>2,409,158</u>	<u>17,490,265</u>
475,484	--	1,011,315	8,090,603
663,102	--	918,098	7,821,900
144,531	--	9,974	1,168,459
--	--	40,431	90,429
--	--	--	235,000
--	--	742,000	742,000
--	--	86,221	86,221
--	--	1,350	1,350
<u>1,283,117</u>	<u>--</u>	<u>2,809,389</u>	<u>18,235,962</u>
<u>22,818</u>	<u>18,376</u>	<u>(400,231)</u>	<u>(745,697)</u>
--	--	--	34,242
--	--	419,743	602,085
<u>(21,671)</u>	<u>(18,376)</u>	<u>(77,617)</u>	<u>(602,085)</u>
<u>(21,671)</u>	<u>(18,376)</u>	<u>342,126</u>	<u>34,242</u>
<u>1,147</u>	<u>--</u>	<u>(58,105)</u>	<u>(711,455)</u>
17,792	967,338	975,678	3,601,175
--	--	--	155,303
<u>17,792</u>	<u>967,338</u>	<u>975,678</u>	<u>3,756,478</u>
--	--	--	10,597
<u>\$ 18,939</u>	<u>\$ 967,338</u>	<u>\$ 917,573</u>	<u>\$ 3,055,620</u>

NOXUBEE COUNTY SCHOOL DISTRICT

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

Net change in fund balances - total governmental funds	\$ (711,455)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	512,195
The depreciation of capital assets used in governmental activities is not reported in the funds.	(626,751)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(47,897)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	605,000
Repayment of notes principal is an expenditure in the funds but is not an expense in the SOA.	137,000
(Increase) decrease in accrued interest from beginning of period to end of period.	8,918
Change in inventory affects fund balance in the funds but affects expense in the SOA.	10,597
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	6,258
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.	1,290,087
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	<u>(2,549,168)</u>
Change in net position of governmental activities	\$ <u><u>(1,365,216)</u></u>

The accompanying notes are an integral part of this statement.

NOXUBEE COUNTY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 JUNE 30, 2017

	Agency Funds
Assets	
Cash and cash equivalents	\$ 7,599
Due from other funds	4,068
Total Assets	<u>\$ 11,667</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 313
Due to student clubs	11,065
Due to other funds	289
Total Liabilities	<u>\$ 11,667</u>

The accompanying notes are an integral part of this statement.

Noxubee County School District

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

Noxubee County 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 board is elected by the citizens of each defined county district.

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

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 of resources, liabilities and deferred inflows of resources 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.

Noxubee County School District

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

2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The school district reports the following major governmental funds:

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

School Lunch Fund - This is a special revenue fund that accounts for federal sources received and expenditures incurred under the Food Service Fund.

Title I A Basic Fund - This is a special revenue fund that accounts for the federal revenue received and expenditures incurred related to the Title I grants to local educational agencies program.

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

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

Noxubee County School District

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

The District's fiduciary funds include the following:

Payroll Clearing Fund - This is a fiduciary fund that accounts for the assets and liabilities associated with the impress clearing activities of the payroll expenditure control cycle.

Student Club Funds - These fiduciary funds account for the assets and liabilities associated with student club activities.

Accounts Payable Clearing Fund - This is a fiduciary fund that accounts for the assets and liabilities associated with the impress clearing activities of the non-payroll expenditure control cycle.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

FIDUCIARY FUNDS

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

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.

Noxubee County School District

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

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

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

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

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

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

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

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

Noxubee County School District

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

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 Sections 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.

Noxubee County School District

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

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

Noxubee County School District

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

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

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

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

The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not

Noxubee County School District

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

be recognized as an outflow of resources (expense) until then. The school district has a deferred outflow which is presented as a deferred outflow for pension.

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

See Note 12 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

See Note 6 for further details.

Noxubee County School District

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

10. Pensions

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

11. Fund Balances

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

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

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

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

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

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

Noxubee County School District

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

Business Manager pursuant to authorization established by the policy adopted by the school district.

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

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

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

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

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with

Noxubee County School District

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

maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$3,788,284 and \$7,599, 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 \$4,225,556 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$174,243.

Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
Certificates of Deposit	N/A	more than one year	\$ <u>8,098</u>

The School Board categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted

Noxubee County School District

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

prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

- Level 1 type of investments of \$8,098 are valued using quoted market prices (Level 1 inputs)

Interest Rate Risk. The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The district does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

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

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

Noxubee County School District

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

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

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	School Lunch Fund	\$ 111,042
	Title I A Basic Fund	47,538
	Sixteenth Section Principal Fund	18,376
	Fiduciary Funds	289
Fiduciary Funds	General Fund	4,068
School Lunch Fund	General Fund	9,444
Title I A Basic Fund	General Fund	335,696
	Other Governmental Funds	39,837
Other Governmental Funds	General Fund	16,210
	School Lunch Fund	11,301
	Title I A Basic Fund	274
	Other Governmental Funds	8,010
Total		\$ <u>602,085</u>

The primary purpose of the interfund loans were to eliminate negative cash balances in pooled bank accounts. All interfund receivables and payables are expected to be repaid within one year.

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Sixteenth Section Principal Fund	General Fund	\$ <u>818,717</u>

The advances to/from other funds are also referred to as Sixteenth Section Principal Loans payable. This type of interfund balance is described below.

Sixteenth section principal loans payable

Note: The sixteenth section principal loans payable are not reflected on the Statement of Net Position because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Fund) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances. The interest rate on the sixteenth section principal loans payable as of June 30, 2017 is 4.0 percent.

Noxubee County School District

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

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

Year Ending June 30		Principal	Interest	Total
2018	\$	53,528	23,349	76,877
2019		76,493	30,607	107,100
2020		79,552	27,548	107,100
2021		82,734	24,366	107,100
2022		86,044	21,056	107,100
2023 - 2027		425,729	50,818	476,547
2028		14,637	585	15,222
Total	\$	<u>818,717</u>	<u>178,329</u>	<u>997,046</u>

C. Inter-fund Transfers

Transfers In	Transfer Out	Amount
General Fund	School Lunch Fund	\$ 122,343
	Title I A Basic Fund	21,671
	Sixteenth Section Principal Fund	18,376
	Other Governmental Funds	19,952
Other Governmental Funds	General Fund	362,078
	Other Governmental Funds	<u>57,665</u>
Total		\$ <u>602,085</u>

The purposes of the transfers were to provide funds for general operating activities. All transfers were routine and consistent with the fund making the transfer.

Note 4 - Restricted Assets

The restricted assets represent the cash and investment balances, totaling \$164,576 and \$2,421, respectively, of the Sixteenth Section Principal Fund, which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the cash with fiscal agents balance totaling \$174,243, of the MAEP Retirement Fund.

Noxubee County School District

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

Note 5 - Capital Assets

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

	Balance 7-1-2016	Additions	Deletions	Balance 6-30-2017
<u>Non-depreciable capital assets:</u>				
Land	\$ 49,211			49,211
Total non-depreciable capital assets	49,211	0	0	49,211
<u>Depreciable capital assets:</u>				
Buildings	17,473,222	235,000		17,708,222
Building improvements	4,100,875			4,100,875
Improvements other than buildings	243,828			243,828
Mobile equipment	3,128,663	262,500	320,368	3,070,795
Furniture and equipment	731,107	14,695	16,041	729,761
Total depreciable capital assets	25,677,695	512,195	336,409	25,853,481
<u>Less accumulated depreciation for:</u>				
Buildings	6,008,300	310,836		6,319,136
Building improvements	2,466,917	139,467		2,606,384
Improvements other than buildings	111,278	9,753		121,031
Mobile equipment	2,237,012	127,165	288,512	2,075,665
Furniture and equipment	580,188	39,530		619,718
Total accumulated depreciation	11,403,695	626,751	288,512	11,741,934
Total depreciable capital assets, net	14,274,000	(114,556)	47,897	14,111,547
Governmental activities capital assets, net	\$ 14,323,211	(114,556)	47,897	14,160,758

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 447,012
Support services	45,263
Non-instructional	134,476
Total depreciation expense	\$ 626,751

Noxubee County School District

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

Note 6 - Long-term liabilities

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

		Balance 7-1-2016	Reductions	Balance 6-30-2017	Amount due within one year
A.	General obligation bonds payable	\$ 1,105,000	275,000	830,000	285,000
B.	Limited obligation bonds payable	1,025,000	330,000	695,000	695,000
C.	Three mill notes payable	282,000	137,000	145,000	145,000
D.	Compensated absences payable	68,053	6,258	61,795	
	Total	\$ 2,480,053	748,258	1,731,795	1,125,000

A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation refunding bonds, Series 2009	3.8%	09-14-09	09-15-19	\$ <u>2,490,000</u>	<u>830,000</u>

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 285,000	26,125	311,125
2019	295,000	15,105	310,105
2020	<u>250,000</u>	<u>4,750</u>	<u>254,750</u>
Total	\$ <u>830,000</u>	<u>45,980</u>	<u>875,980</u>

This debt will be retired from the Noxubee County School District's Debt Service Fund.

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann.(1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann (1972) have been met. As of June 30, 2017, the amount of outstanding bonded indebtedness was equal to 2% of property assessments as of October 1, 2016.

Noxubee County School District

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

B. Limited obligation bonds payable

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State aid capital improvement bonds	1.75-3.00%	03-13-09	02-01-18	\$ <u>2,905,000</u>	<u>695,000</u>

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

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$	<u>695,000</u>	<u>15,410</u>	<u>710,410</u>

This debt will be retired from the Noxubee County School District's Debt Service Fund.

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

C. Three mill notes payable

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Limited tax notes, Series 2002	3.75-4.25%	10-15-02	10-15-17	\$ <u>1,400,000</u>	<u>145,000</u>

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

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$	<u>145,000</u>	<u>3,081</u>	<u>148,081</u>

This debt will be retired from the Noxubee County School District's Debt Service Fund.

Noxubee County School District

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

D. Compensated absences payable

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

Note 7 - Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

Noxubee County School District

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

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 \$1,290,087, \$1,437,331, and \$1,430,955, 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 \$25,481,567 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 0.142654 percent, which was based on a measurement date of June 30, 2016. This was a decrease of 0.002773 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 \$2,549,168. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 420,364	\$
Net difference between projected and actual earnings on pension plan investments	2,013,576	
Changes of assumptions		67,713
Changes in proportion and differences between District contributions and proportionate share of contributions	2,511,287	2,256,023
District contributions subsequent to the measurement date	1,290,087	
Total	\$ 6,235,314	\$ 2,323,736

Noxubee County School District

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

\$1,290,087 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	\$	690,909
2019		588,525
2020		838,662
2021		503,395
Total	\$	<u>2,621,491</u>

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

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

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

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

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

Noxubee County School District

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

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	100%	

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 32,673,081	\$ 25,481,567	\$ 19,514,940

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

Note 8 - Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the

Noxubee County School District

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

school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30		Amount
2018	\$	403,034
2019		362,011
2020		351,923
2021		282,931
2022		261,266
2023 - 2027		1,101,385
2028 - 2032		952,535
2033 - 2037		866,057
2038 - 2042		467,338
2043 - 2047		369,816
2048 - 2052		315,544
2053 - 2054		199,080
Thereafter		41,635
Total	\$	<u>5,974,555</u>

Note 9 - Contingencies

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

Litigation - The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability of some of these cases, however there is one identified in the subsequent paragraph which the school district's legal counsel believes will not have a material adverse effect on the financial condition of the school district and is reported as accounts payable on the financial statements.

The possible liability for multiple bus accidents is estimated not to exceed approximately \$11,500.

Noxubee County School District

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

Note 10 - Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 71 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess up to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies.

Note 11 - Insurance Loss Recoveries

The Noxubee County School District received \$34,242 in insurance loss recoveries related to bus damage during the 2016-2017 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as support services.

Note 12 - Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$21,240,148) 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 \$1,290,087 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 \$4,945,227 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 (\$21,240,148) includes the effect of deferring the recognition of revenues resulting from a deferred inflow from pensions. The \$2,323,736 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.

Noxubee County School District

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

Note 13 - Prior Period Adjustment

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

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
1. To correct prior year assets and liabilities.	\$ 4,980
2. Reduction in the estimate of liability.	150,323
	<u>\$ 155,303</u>

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

<u>Major Funds</u>	<u>Explanation(s)</u>	<u>Amount</u>
		\$ 150,323
General Fund	Reduction in the estimate of liability.	4,980
General Fund	To correct prior year assets and liabilities.	<u>\$ 155,303</u>

Note 14 - Deficit Fund Balance of Individual Funds

A general listing of the individual funds that have a deficit fund balance, including amounts of the deficit, is as follows

<u>Fund</u>	<u>Fund Balance</u>
Extended School Year Fund	\$3,640
Summer Feeding Program 2014 Fund	\$3,820

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

Note 15 - 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 Noxubee County School District evaluated the activity of the district through the date the financial statements were

Noxubee County School District

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

available to be issued, and determined the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

On August 1, 2018, the Noxubee County School District and Mississippi Board of Education entered into an agreement to loan Noxubee County School District \$2,500,000. This loan has been made by the Mississippi Board of Education because of the necessity to correct the Noxubee County School District's impairments related to a lack of financial resources and is issued under authority of Mississippi Code Annotated 37-17-6(15). State law only provides access to these funds for districts under state control. The State took over the district after concerns of their finances and findings of an investigative audit that cited them for violating more than 80 percent of the State's accreditation standards. The district will remain under state control for a minimum of five years under a state law requiring all districts to maintain an accountability rating of C or higher for five consecutive years.

REQUIRED SUPPLEMENTARY INFORMATION

NOXUBEE COUNTY SCHOOL DISTRICT

Exhibit 1

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 3,419,165	3,686,973	3,421,237	267,808	(265,736)
State sources	8,391,283	8,138,293	8,152,582	(252,990)	14,289
Federal sources	173,500	125,100	137,012	(48,400)	11,912
Sixteenth section sources	395,000	724,433	724,433	329,433	-
Total Revenues	<u>12,378,948</u>	<u>12,674,799</u>	<u>12,435,264</u>	<u>295,851</u>	<u>(239,535)</u>
Expenditures:					
Instruction	6,931,359	6,657,121	6,603,804	274,238	53,317
Support services	5,568,660	6,236,861	6,089,999	(668,201)	146,862
Noninstructional services	-	-	1,280	-	(1,280)
Sixteenth section	56,000	50,055	49,998	5,945	57
Facilities acquisition and construction	-	-	235,000	-	(235,000)
Total Expenditures	<u>12,556,019</u>	<u>12,944,037</u>	<u>12,980,081</u>	<u>(388,018)</u>	<u>(36,044)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(177,071)</u>	<u>(269,238)</u>	<u>(544,817)</u>	<u>(92,167)</u>	<u>(275,579)</u>
Other Financing Sources (Uses):					
Insurance recovery	-	49,245	34,242	49,245	(15,003)
Operating transfers in	1,908,116	1,516,203	182,342	(391,913)	(1,333,861)
Operating transfers out	(2,085,210)	(2,040,138)	(362,078)	45,072	1,678,060
Total Other Financing Sources (Uses)	<u>(177,094)</u>	<u>(474,690)</u>	<u>(145,494)</u>	<u>(297,596)</u>	<u>329,196</u>
Net Change in Fund Balances	<u>(354,165)</u>	<u>(743,928)</u>	<u>(690,311)</u>	<u>(389,763)</u>	<u>53,617</u>
Fund Balances:					
July 1, 2016, as previously reported	2,040,095	1,755,258	926,644	(284,837)	(828,614)
Prior period adjustments	-	24,334	155,303	24,334	130,969
July 1, 2016, as restated	<u>2,040,095</u>	<u>1,779,592</u>	<u>1,081,947</u>	<u>(260,503)</u>	<u>(697,645)</u>
June 30, 2017	<u>\$ 1,685,930</u>	<u>1,035,664</u>	<u>391,636</u>	<u>(650,266)</u>	<u>(644,028)</u>

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

NOXUBEE COUNTY SCHOOL DISTRICT

Exhibit 2

Budgetary Comparison Schedule

School Lunch Fund

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 55,760	53,594	53,594	(2,166)	-
State sources	13,150	25,601	25,601	12,451	-
Federal sources	1,207,313	1,178,302	1,242,337	(29,011)	64,035
Total Revenues	<u>1,276,223</u>	<u>1,257,497</u>	<u>1,321,532</u>	<u>(18,726)</u>	<u>64,035</u>
Expenditures:					
Support services	111,482	98,807	150,701	12,675	(51,894)
Noninstructional services	<u>1,001,338</u>	<u>988,539</u>	<u>1,012,674</u>	<u>12,799</u>	<u>(24,135)</u>
Total Expenditures	<u>1,112,820</u>	<u>1,087,346</u>	<u>1,163,375</u>	<u>25,474</u>	<u>(76,029)</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>163,403</u>	<u>170,151</u>	<u>158,157</u>	<u>6,748</u>	<u>(11,994)</u>
Other Financing Sources (Uses):					
Operating transfers out	<u>(135,000)</u>	<u>(122,134)</u>	<u>(122,343)</u>	<u>12,866</u>	<u>(209)</u>
Total Other Financing Sources (Uses)	<u>(135,000)</u>	<u>(122,134)</u>	<u>(122,343)</u>	<u>12,866</u>	<u>(209)</u>
Net Change in Fund Balances	28,403	48,017	35,814	19,614	(12,203)
Fund Balances:					
July 1, 2016	847,320	696,174	713,723	(151,146)	17,549
Increase (decrease) in inventory	-	-	10,597	-	10,597
June 30, 2017	<u>\$ 875,723</u>	<u>744,191</u>	<u>760,134</u>	<u>(131,532)</u>	<u>15,943</u>

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

NOXUBEE COUNTY SCHOOL DISTRICT

Exhibit 3

Budgetary Comparison Schedule

Title I A Basic Fund

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ -	-	136	-	136
Federal sources	1,353,758	1,305,936	1,305,799	(47,822)	(137)
Total Revenues	1,353,758	1,305,936	1,305,935	(47,822)	(1)
Expenditures:					
Instruction	605,924	476,631	475,484	129,293	1,147
Support services	615,092	663,102	663,102	(48,010)	-
Noninstructional services	110,759	144,805	144,531	(34,046)	274
Total Expenditures	1,331,775	1,284,538	1,283,117	47,237	1,421
Excess (Deficiency) of Revenues Over (Under) Expenditures	21,983	21,398	22,818	(585)	1,420
Other Financing Sources (Uses):					
Operating transfers out	(21,983)	(21,398)	(21,671)	585	(273)
Total Other Financing Sources (Uses)	(21,983)	(21,398)	(21,671)	585	(273)
Net Change in Fund Balances	-	-	1,147	-	1,147
Fund Balances:					
July 1, 2016	-	-	17,792	-	17,792
June 30, 2017	\$ -	-	18,939	-	18,939

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

Noxubee County School District

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

PERS

Last 10 Fiscal Years*

	2017	2016	2015
District's proportionate share of the net pension liability (asset)	\$ 25,481,567	22,480,147	18,601,258
District's proportion of the net pension liability (asset)	0.142654%	0.145427%	0.153246%
District's covered payroll	9,125,911	9,085,429	9,364,152
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.70%	67.21%

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

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

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

Noxubee County School District
Schedule of District Contributions
PERS
Last 10 Fiscal Years*

	2017	2016	2015
Contractually required contribution	\$ 1,290,087	1,437,331	1,430,955
Contributions in relation to the contractually required contribution	1,290,087	1,437,331	1,430,955
Contribution deficiency (excess)	\$ -	-	-
District's covered - employee payroll	8,191,029	9,125,911	9,085,429
Contributions as a percentage of covered - employee payroll	15.75%	15.75%	15.75%

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

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

Noxubee County 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

Noxubee County School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Schedule 1

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 368,485
National School Lunch Program	10.555	873,853
Summer Food Service Program for Children	10.559	16,467
Total Child Nutrition Cluster		<u>1,258,805</u>
Total passed-through Mississippi Department of Education		<u>1,258,805</u>
Total U. S. Department of Agriculture		<u><u>1,258,805</u></u>
<u>U.S. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	<u>23,682</u>
Total U. S. Department of Defense		<u><u>23,682</u></u>
<u>U.S. Department of Education</u>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	1,362,367
Career and Technical Education - Basic Grant to States	84.048	18,044
Twenty-First Century Community Learning Centers	84.287	23,931
Rural Education	84.358	59,272
Supporting Effective Instruction State Grants	84.367	71,459
Subtotal		<u>1,535,073</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	455,784
Special Education - Preschool Grants	84.173	6,153
Total Special Education Cluster		<u>461,937</u>
Total passed-through the Mississippi Department of Education		<u>1,997,010</u>
Total U. S. Department of Education		<u><u>1,997,010</u></u>
<u>U. S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical Assistance Program	93.778	<u>11,913</u>
Total passed-through the Mississippi Department of Education		<u>11,913</u>
Total U.S. Department of Health and Human Services		<u><u>11,913</u></u>
TOTAL FOR ALL FEDERAL AWARDS		<u><u>\$ 3,291,410</u></u>

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

Noxubee County School District

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

(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 \$76,238 are included in the National School Lunch Program.

Schedule 2**Noxubee County 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 Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 12,608,703	8,787,418	814,825	806,556	2,199,904
Other	5,627,259	1,310,223	265,931	101,155	3,949,950
Total	\$ <u>18,235,962</u>	<u>10,097,641</u>	<u>1,080,756</u>	<u>907,711</u>	<u>6,149,854</u>
Total number of students *	<u>1,617</u>				
Cost per student	\$ <u>11,277</u>	<u>6,245</u>	<u>668</u>	<u>561</u>	<u>3,803</u>

For purpose 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, teacher's aides or classroom assistants of any type.

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

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

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

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

OTHER INFORMATION

NOXUBEE COUNTY SCHOOL DISTRICT

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

"UNAUDITED"

	2017	2016*	2015*	2014*
Revenues:				
Local sources	\$ 3,421,237	3,607,332	3,457,172	3,301,641
State sources	8,152,582	8,436,808	8,385,026	7,851,704
Federal sources	137,012	73,474	176,682	186,610
Sixteenth section sources	724,433	524,103	1,124,199	-
Total Revenues	<u>12,435,264</u>	<u>12,641,717</u>	<u>13,143,079</u>	<u>11,339,955</u>
Expenditures:				
Instruction	6,603,804	6,833,858	6,678,010	7,038,703
Support services	6,089,999	5,868,968	5,248,318	5,669,902
Noninstructional services	1,280	-	763	-
Sixteenth section	49,998	58,505	34,934	-
Facilities acquisition and construction	235,000	-	-	-
Debt service:				
Principal	-	-	-	801,901
Interest	-	10,350	31,694	5,898
Total Expenditures	<u>12,980,081</u>	<u>12,771,681</u>	<u>11,993,719</u>	<u>13,516,404</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(544,817)</u>	<u>(129,964)</u>	<u>1,149,360</u>	<u>(2,176,449)</u>
Other Financing Sources (Uses):				
Notes issued	-	-	-	750,000
Insurance recovery	34,242	755,425	-	54,466
Operating transfers in	182,342	255,038	385,693	1,023,906
Operating transfers out	(362,078)	-	(634,766)	(456,692)
Other financing uses	-	(589,468)	(310,000)	-
Total Other Financing Sources (Uses)	<u>(145,494)</u>	<u>420,995</u>	<u>(559,073)</u>	<u>1,371,680</u>
Net Change in Fund Balances	<u>(690,311)</u>	<u>291,031</u>	<u>590,287</u>	<u>(804,769)</u>
Fund Balances:				
July 1, as previously reported	926,644	534,626	(137,265)	659,938
Prior period adjustment	155,303	100,987	66,965	7,566
Fund reclassification	-	-	14,639	-
July 1, as restated	<u>1,081,947</u>	<u>635,613</u>	<u>(55,661)</u>	<u>667,504</u>
June 30,	<u>\$ 391,636</u>	<u>926,644</u>	<u>534,626</u>	<u>(137,265)</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

NOXUBEE COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

"UNAUDITED"

	2017	2016*	2015*	2014*
Revenues:				
Local sources	\$ 3,924,703	4,183,276	4,021,460	3,897,834
State sources	9,343,192	9,699,507	9,455,710	8,818,808
Federal sources	3,421,147	3,475,634	3,792,642	3,558,164
Sixteenth section sources	801,223	621,993	1,287,667	359,488
Total Revenues	<u>17,490,265</u>	<u>17,980,410</u>	<u>18,557,479</u>	<u>16,634,294</u>
Expenditures:				
Instruction	8,090,603	8,584,700	8,194,126	8,328,346
Support services	7,821,900	7,381,608	7,315,282	7,596,404
Noninstructional services	1,168,459	1,136,628	1,096,915	1,147,959
Sixteenth section	90,429	90,500	71,036	73,588
Facilities acquisition and construction	235,000	-	-	-
Debt service:				
Principal	742,000	720,000	692,000	1,476,901
Interest	86,221	124,656	149,444	145,409
Other	1,350	-	1,250	-
Total Expenditures	<u>18,235,962</u>	<u>18,038,092</u>	<u>17,520,053</u>	<u>18,768,607</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(745,697)</u>	<u>(57,682)</u>	<u>1,037,426</u>	<u>(2,134,313)</u>
Other Financing Sources (Uses):				
Notes issued	-	-	-	750,000
Insurance recovery	34,242	755,425	-	54,466
Operating transfers in	602,085	1,143,230	1,020,459	1,484,701
Operating transfers out	(602,085)	(1,143,230)	(1,020,459)	(1,484,701)
Other financing uses	-	-	(310,000)	-
Total Other Financing Sources (Uses)	<u>34,242</u>	<u>755,425</u>	<u>(310,000)</u>	<u>804,466</u>
Net Change in Fund Balances	<u>(711,455)</u>	<u>697,743</u>	<u>727,426</u>	<u>(1,329,847)</u>
Fund Balances:				
July 1, as previously reported	3,601,175	2,799,882	1,992,838	2,977,757
Prior period adjustments	155,303	101,644	73,652	334,656
July 1, as restated	<u>3,756,478</u>	<u>2,901,526</u>	<u>2,066,490</u>	<u>3,312,413</u>
Increase (Decrease) in inventory	10,597	1,906	5,966	10,272
June 30,	<u>\$ 3,055,620</u>	<u>3,601,175</u>	<u>2,799,882</u>	<u>1,992,838</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Noxubee County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Noxubee County School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Noxubee County School District's basic financial statements, and have issued our report thereon dated June 4, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies as Findings 2017-001 and 2017-002.

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

Compliance and Other Matters

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

Noxubee County School District's Response to Findings

Noxubee County School District's responses to the findings identified in our audit are described in the accompanying auditee's corrective action plan. The Noxubee County School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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
June 4, 2019

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Noxubee County School District

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

Basis for Adverse Opinion on Title I Grants to Local Educational Agencies

As described in the accompanying schedule of findings and questioned costs, the Noxubee County School District did not comply with requirements regarding Title I Grants to Local Educational Agencies CFDA# 84.010 as described in finding number 2017-003 for noncompliance with all compliance requirements. Compliance with such requirements is necessary, in our opinion, for the Noxubee County School District to comply with the requirements applicable to that program.

Adverse Opinion on Title I Grants to Local Educational Agencies

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the Noxubee County School District did not comply, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Title I Grants to Local Educational Agencies for the year ended June 30, 2017.

Unmodified Opinion on Each of the Other Major Federal Program

In our opinion, the Noxubee County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as findings 2017-003 and 2017-004. Our opinion on each major federal program is not modified with respect to these matters.

The Noxubee County School District's responses to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Noxubee County School District responses were not subjected to the auditing procedures applied in the audit of noncompliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

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

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as findings 2017-003 and 2017-004 to be material weaknesses.

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.

Noxubee County School District's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Noxubee County School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
June 4, 2019

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
Noxubee County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Noxubee County School District as of and for the year ended June 30, 2017, which collectively comprise the Noxubee County School District's basic financial statements and have issued our report thereon dated June 4, 2019. 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 instances of noncompliance with other state laws and regulations.

Finding 1:

Criteria:

Section 37-61-19, Miss. Code Ann. (1972), states that it shall be the duty of the Superintendent and school board members to limit the expenditure of school funds during the fiscal year to the resources available.

Condition:

We noted three funds with deficit fund balances. The District Maintenance Fund has a deficit ending fund balance totaling \$261,983, Extended School Year Fund has a deficit ending fund balance totaling \$3,640 and the Summer Feeding Program 2014 Fund totaling \$3,820.

Cause:

Noncompliance occurred with the District not properly reconciling expenditures with available resources.

Effect:

Noncompliance with Section 37-61-19, Miss. Code Ann. (1972), resulted in the District violating state laws regarding limiting expenditures to resources available for each fiscal year.

Recommendation:

We recommend the District implement policies and procedures to ensure compliance with Section 37-61-19, Miss. Code Ann. (1972).

Response:

The NCSD is putting forth a continuing effort comply to Section 37-61-19, Miss. Code Ann. (1972). When audits are up to day, we will have a more accurate account of fund balances.

Finding 2:

Criteria:

Section 27-105-5, Miss. Code Ann. (1972) requires a public depositor to file an annual report with the State Treasurer that contains the name of the public depositor, its tax identification number and provide a list of all bank accounts that held by that depositor within 30 days of fiscal year end.

Condition:

The school district failed to accurately report bank accounts balances of June 30, 2017. There were 6 bank accounts reported incorrectly in the amount of (\$452,568.65).

Cause:

Lack of procedures in place to ensure accurate reporting of balances at June 30, 2017.

Effect:

The district was not in compliance with the Section 27-105-5, Miss. Code Ann. (1972).

Recommendation:

We recommend the district comply with Section 27-105-5, Miss. Code Ann. (1972) which requires a public depositor to file an annual report with the State Treasurer that contains the name of the public depositor, its tax identification number and provide a list of all bank accounts that are held by that depositor within 30 days of fiscal year end.

Response:

No Correction Action needed. The report was filed on time.

Finding 3:

Criteria:

Section 37-7-333, Miss. Code Ann. (1972), also requires the bids of the financial institutions keeping school funds be effective on July 1 of each year. School boards are allowed to advertise and accept bids for depositories, not less than once every three years, when the school board determines that it can obtain a more favorable rate of interest and less administrative processing.

Condition:

During the course of our test work, we noted approval in the board minutes on May 11, 2015 of the following memo from the business manager “After careful consideration of all offers received, my recommendation to the Board is to not make any changes or additions to our current bank accounts”. The school failed to provide documentation as evidence of the advertisement for depository bids or submission of bids with the acceptance of the most favorable bid for the school depositories within the current fiscal year.

Cause:

A system was not in place to ensure proper documentation was maintained as evidence to show depository bids were advertised and submission of bids with the acceptance of the most favorable bid.

Effect:

The district was not in compliance with the Section 37-7-333, Miss. Code Ann. (1972).

Recommendation:

The District should comply with Section 37-7-333, Miss. Code Ann. (1972) and maintain an accurate record and supporting documentation for bank depository bids with the information reflected in the board minutes.

Response:

Depository Bids were submitted in June of 2015. No new bids should be done until June of 2018. No corrective action is needed.

Finding 4:

Criteria:

Section 25-11-127, Miss. Code of 1972, as amended, requires that the school district files the PERS Form 4B (Re-employment of PERS Service Retiree Certification/Acknowledgement) within 5 days of employment if the prospective employee is a PERS retiree.

Condition:

During the testing of retired personnel, we noted 3 out of 4 instances in which re-hired employees' forms were not filed timely.

Cause:

A system was not in place to ensure the forms were submitted timely.

Effect:

Untimely filing of forms could result in employees being paid in excess of the amount allowed.

Recommendation:

PERS Form 4B must be properly completed by the PERS service retiree and the appointing authority of the PERS covered agency employing such service retiree with the PERS office within five (5) days from the date of re-employment and within (5) days from the termination of such re-employment and employees must not be paid in excess of the maximum amount allowed.

Response:

All retirees that are rehired will fill out a form 4B and the reports will be filed in a timely manner.

Finding 5:

Criteria:

Section 29-3-57, Miss. Code Ann. (1972) states, "It is the duty of the Superintendent of Education to collect promptly all rentals due. Upon a sixty (60) day default in payment of any rental accounting to the terms of such lease, the lease shall be declared terminated unless the Board of Education finds extenuating circumstances were present".

Condition:

During our test of sixteenth section leases, we identified leases in which rental payments tested were more than 60 days past due with no documentation that board action was taken as required by Section 29-3-57, Miss. Code Ann. (1972).

Cause:

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

Effect:

District's resources of sixteenth section lease payments were not available for operations.

Recommendation:

We recommend that the District comply with Section 29-3-57, Miss. Code Ann.(1972), that states when leases are in default for more than 60 days from the due date, the lease shall be declared terminated unless the Board of Education finds extenuating circumstances are present.

Response:

The NCSD's 16th Section Land Manager will cancel leases that are over 60 days past due.

Finding 6:

Criteria:

Section 31-7-13(b), Miss. Code Ann. (1972) states, "Purchases which involve an expenditure of more than five thousand dollars (\$5,000) but not more than fifty thousand dollars (\$50,000), exclusive of freight and shipping charges may be obtained from the lowest and best bidder without publishing or posting advertisement for bids, provided at least two (2) competitive written bids have been obtained."

In addition, Section 31-7-13©, Miss. Code Ann. (1972) states, "Purchases which involve an expenditure of more than fifty thousand dollars (\$50,000), exclusive of freight and shipping charges, may be obtained from the lowest and best bidder after advertising for competitive sealed bids once each week for two (2) consecutive weeks in a regular newspaper published in the county or municipality in which such agency or governing authority is located. The date as published for the bid opening shall not be less than seven (7) working days after the last published notice". however, if the purchase involves a construction project in which the estimated cost is in excess of Fifty Thousand Dollars (\$ 50,000.00), such bids shall not be opened in less than fifteen (15) working days after the last notice is published and the notice for the purchase of such construction shall be published once each week for two (2) consecutive weeks.

Condition:

During the course of our audit, we noted 3 of 66 purchases ranging between \$5,000 and \$44,000 tested, for which the school district could not provide documentation of bids received.

Cause:

Lack of internal controls and oversight over purchasing procedures.

Effect:

The district failed to comply with state purchasing laws.

Recommendation:

The district should ensure that all purchases follow state purchasing laws by requiring and maintaining proper support of quotes, bids, or other documentation used to determine the purchase is made within the state purchasing guidelines.

Response:

The NCSD is following the purchasing law more closely and will get bids and quotes as needed.

Finding 7:

Criteria:

Section 31-7-305, Miss. Code Ann. (1972), states: “payments should be delivered to the vendor no later than 45 days of receipt of an undisputed invoice and receipt, inspection and approval of the goods and services.”

Condition:

Two of sixty-five invoices examined were paid over 45 days after receipt.

Cause:

Procedures need to be implemented and followed to ensure compliance with State laws.

Effect:

The district was not in compliance with the Section 31-7-305, Miss. Code Ann. (1972).

Recommendation:

We recommend that the school district comply with Section 31-7-305, Miss. Code Ann. (1972), and ensure that payments are made timely.

Response:

The NCSD will ensure payments are made on time.

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

The Noxubee County School District’s responses to the findings included in this report were not audited and, accordingly, we express no opinion on them.

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
June 4, 2019

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Noxubee County School District

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

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unmodified.
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? Yes.
3. Noncompliance material to financial statements noted? No.

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? Yes.
 - b. Significant deficiency(ies) identified? None reported.
5. Type of auditor's report issued on compliance for major programs:

Child Nutrition Cluster	Unmodified
Title I Grants to Local Educational Agencies	Adverse
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes.
7. Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555 & 10.559	Child Nutrition 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? No.

Section II: Financial Statement Findings

The results of our tests disclosed the following findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Significant Deficiencies

Finding 2017-001

Criteria:

An effective system of internal control is the responsibility of management. Management should establish an internal control system that ensures strong financial accountability and safeguarding of assets.

Condition:

The controls surrounding the cycle of non-payroll expenditures and related liabilities is not working effectively to reduce the risk of financial statement misstatement.

We performed detailed testing on sixty-five (65) non-payroll expenditure transactions. Our testing showed ten (10) instances where the invoices were dated before the purchase order, revealing purchases were made without appropriate authorization. We noted one (3) instances where a purchase was made without the required bid and quote. We noted two (2) instances where the invoices were not paid within the 45 day time period. We noted four (4) instances where the invoices did not have approval of program director. Finally, we noted two (2) instances where the invoices did not have approval of purchasing agent.

Cause:

The district failed to design and implement a sound system of internal controls surrounding non-payroll expenditures and related payables.

Effect:

There is an increased risk that misstatements in the area of non-payroll expenditures will exist that will not be corrected in a timely manner by district personnel. This risk means that transactions may not be properly authorized and accurately classified and recorded.

Recommendation:

We recommend the district develop a system of sound internal controls surrounding the cycle of non-payroll expenditures and related liabilities and begin steps to implement the system of controls.

Finding 2017-002

Criteria:

An effective system of internal control is the responsibility of management. Management should establish an internal control system that ensures strong financial accountability and safeguarding of assets. A critical aspect of financial management is the maintenance of accurate accounting records.

Condition:

During test work, the school district was unable to provide supporting documentation for two employees pay.

Cause:

This is the result of the lack of an effective internal control system.

Effect:

Without a proper internal control system being in place to ensure accurate accounting records, the district increases the risk that the financial statements will contain materially misstatements.

Recommendation:

The District should implement policies and procedures to establish an internal control system that will ensure strong financial accountability, proper safeguarding of assets, and accurate accounting records.

Section III: Federal Award Findings and Questioned Costs

The results of our tests disclosed the following findings and questioned costs related to the federal awards.

Material Weaknesses and Noncompliance

Finding 2017-003

U.S. Department of Education

Passed-through the Mississippi Department of Education

Program Name: Title I Grants to Local Educational Agencies

CFDA# 84.010

Compliance: Cash Management

Criteria:

Management is responsible for compliance with the cash management requirements of the Uniform Guidance. The requirements state that “When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government.”

Condition:

The auditor noted excess funds were requested and received but have not been spent.

Context:

During our testing of cash management over the Title I program, we noted the District has \$397,081 of unearned Title I funds recorded as a liability as of the end of the fiscal year. These are funds the district has requested and received but has not spent.

Questioned Costs:

None.

Cause:

Lack of controls surrounding this control cycle and the failure of the district to monitor the effectiveness of the controls.

Effect:

Inadequate internal controls over requesting federal funds and failing to provide accurate documentation could result in the district requesting federal funds before actual program expenditures are incurred. This deficiency resulted in an adverse opinion on compliance with the cash management requirement of the Title I federal program.

Identification of a repeat finding:

This is a repeat finding from the immediate previous audit, 2016-003.

Whether sampling was statically valid:

No.

Recommendation:

We recommend the district only request federal funds after the applicable program costs have been paid for the district and maintain accurate documentation.

View of Responsible Officials:

These funds were not requested during the FY17 year. These funds come from prior years deferred revenue. However, the District has changed its “request for funds” process. Only funds that are spent can be drawn down for reimbursement.

Finding 2017-004

U.S. Department of Education

Passed-through the Mississippi Department of Education

Program Name: Title I Grants to Local Educational Agencies

CFDA# 84.010

Compliance: Allowable Costs/Cost Principles

Criteria:

(Pre-Uniform Guidance Regulations are applicable as noted below)

Office of Management and Budget (OMB) Circular A-87 Attachment A (C) (1) states, “*Basic Guidelines*”. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- b. Be allocable to Federal awards under the provisions of the Circular.
- c. Be authorized or not prohibited under State or local laws or regulations.
- d. Conform to any limitations or exclusions set forth in these principles, Federal laws, terms

and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.

- e. Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- f. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- g. Except as otherwise provided for in this Circular, be determined in accordance with generally accepted accounting principles.
- h. Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation.
- i. Be the net of all applicable credits.
- j. Be adequately documented.

Office of Management and Budget (OMB) Circular A-87 Attachment B (1) (F) (3) states, "Advertising and public relations costs. Unallowable advertising and public relations costs include....costs of promotional items and memorabilia, including models, gifts, and souvenirs." Office of Management and Budget (OMB) Circular A-87 Attachment A (D) (1) states in part, "The total cost of Federal awards is comprised of the allowable direct cost of the program, plus its allocable portion of allowable indirect costs, less applicable credits."

Code of Federal Regulations, Title 34 80.20 (b) (6) states, "*Source Documentation*. Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc."

Code of Federal Regulations, Title 34 80.22 (b) states, "For each kind of organization, there is a set of Federal principles for determining allowable costs. For the costs of a state, local, or Indian tribal government, the Secretary applies the cost principles in OMB Circular A-87, as amended on June 9, 1987."

Condition:

During the course of the audit, Mississippi Department of Education release the results of monitoring visit for FY17 grant program.

Context:

The district overspent budget line items in the amount \$29,619. The district failed to provide documentation for quotes for vendors of services in the amount of \$36,129. No formal bids were obtained for the vendor in the amount of \$53,085, and procurement completeness procedures in the amount of \$3,292. The district also calculated indirect cost in the amount of \$1,103 in excess.

Questioned Costs:
\$123,228.

Cause:
Lack of controls surrounding this control cycle to monitor the effectiveness of the controls.

Effect:
Inadequate internal controls over federal funds and failing to provide accurate documentation could result in the district spending federal funds that are not an allowable costs.

Identification of a Repeat Finding:
No.

Whether Sampling was Statistically Valid:
No.

Recommendation:
We recommend the district follow federal guidelines in the Uniform Guidance for federal purchases and maintain adequate documentation.

Views of Responsible Officials:
The District will follow federal guidelines in the Uniform Guidance for federal purchases and maintain adequate documentation.

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

Pam Norris
Chief Financial Officer



Rodriguez F. Broadnax Ed.S.
Superintendent of Education

P.O. Box 540 Macon, Mississippi 39341
Phone: (662) 726-4527 or 726-4583
Fax: (662) 726-2809
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AUDITEE'S CORRECTIVE ACTION PLAN

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

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2017-001	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Pam Norris Phone Number: (662) 726-9565</p> <p>b. Corrective Action Planned: More effective internal controls with computerized software.</p> <p>c. Anticipated Completion Date: 06/30/19</p>
2017-002	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Pam Norris Phone Number: (662) 726-9565</p> <p>b. Corrective Action Planned: More effective internal controls with computerized software.</p> <p>c. Anticipated Completion Date: 06/30/19</p>

Pam Norris
Chief Financial Officer



Rodriguez F. Broadnax Ed.S.
Superintendent of Education

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AUDITEE'S CORRECTIVE ACTION PLAN (CONTINUE)

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

- | | |
|----------|---|
| 2017-003 | <p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Pam Norris
Phone Number: (662) 726-4527</p> <p>b. Corrective Action Planned: These funds were not requested during the FY17 year. These funds come from prior years deferred revenue. However, the District has changed its "request for funds" process. Only funds that are spent can be drawn down for reimbursement.</p> <p>c. Anticipated Completion Date: 06/30/19</p> |
| 2017-004 | <p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Pam Norris
Phone Number: (662) 726-4527</p> <p>b. Corrective Action Planned: The District will follow federal guidelines in the Uniform Guidance for federal purchases and maintain adequate documentation.</p> <p>c. Anticipated Completion Date: 06/30/19</p> |

Noxubee County School District Core Values:
Accountability Service Integrity Commitment Relationships

Pam Norris
Chief Financial Officer



Rodriguez F. Broadnax Ed.S.
Superintendent of Education

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SUMMARY OF PRIOR AUDIT FINDINGS

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), the Noxubee County School District has prepared and hereby submits the following summary of prior year audit findings follow up as of June 30, 2017:

<u>Finding</u>	<u>Status</u>
2016-001	Corrected
2016-002	Not Corrected (See Finding 2017-001)
2016-003	Not Corrected (See Finding 2017-001)
2016-004	Corrected