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**Pontotoc City School District**

Audited Financial Statements  
For the Year Ended June 30, 2017

**Fortenberry & Ballard, PC**  
Certified Public Accountants

# Pontotoc City School District

## TABLE OF CONTENTS

	PAGE #
INDEPENDENT AUDITOR’S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION .....	4
MANAGEMENT’S DISCUSSION AND ANALYSIS .....	8
 BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Exhibit A - Statement of Net Position .....	18
Exhibit B - Statement of Activities .....	19
Governmental Funds Financial Statements	
Exhibit C - Balance Sheet .....	20
Exhibit C-1 - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	21
Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances .....	22
Exhibit D-1 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities .....	23
Fiduciary Funds Financial Statements	
Exhibit E - Statement of Fiduciary Assets and Liabilities .....	24
Notes to the Financial Statements .....	26
 REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund .....	44
Budgetary Comparison Schedule - School Food Service Fund .....	45
Budgetary Comparison Schedule - Title I Fund .....	46
Budgetary Comparison Schedule - IDEA Part B Fund .....	47
Budgetary Comparison Schedule - Vocational Education Fund .....	48
Schedule of the District’s Proportionate Share of the Net Pension Liability .....	49
Schedule of District Contributions .....	50
Notes to the Required Supplementary Information .....	51
 SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards .....	53
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds .....	54
Notes to the Supplementary Information .....	55
 OTHER INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years .....	57
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years .....	58
 REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	60
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report On Internal Control Over Compliance Required by the Uniform Guidance .....	62
 INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS .....	
	65
SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....	68

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

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

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

**Auditor's Responsibility**

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

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

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

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## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedules of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 8 to 16 and 44 to 51, 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 Pontotoc City 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 December 18, 2017, on our consideration of the Pontotoc City 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 Pontotoc City 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 Pontotoc City School District's internal control over financial reporting and compliance.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
December 18, 2017

Certified Public Accountants



## MANAGEMENT'S DISCUSSION AND ANALYSIS

**PONTOTOC CITY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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

**FINANCIAL HIGHLIGHTS**

- Total net position for 2017 decreased \$2,682,709, including a prior period adjustment of (\$18,518), which represents a 59.55% decrease from fiscal year 2016. Total net position for 2016 decreased \$1,833,549, which represents a 68.64% decrease from fiscal year 2015.
- General revenues amounted to \$15,892,466 and \$15,794,592, or 81.52% and 81.38% of all revenues for fiscal years 2017 and 2016, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,602,171, or 18.48% of total revenues for 2017, and \$3,614,762, or 18.62% of total revenues for 2016.
- The District had \$22,158,828 and \$21,242,903 in expenses for fiscal years 2017 and 2016; only \$3,602,171 for 2017 and \$3,614,762 for 2016 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$15,892,466 for 2017 and \$15,794,592 for 2016 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$16,116,330 in revenues and \$16,308,084 in expenditures for 2017, and \$15,894,672 in revenues and \$15,996,973 in expenditures for 2016. The General Fund's fund balance decreased by \$160,502 from 2016 to 2017, and decreased by \$101,592 from 2015 to 2016.
- Capital assets, net of accumulated depreciation, decreased by \$364,702 for 2017 and decreased by \$493,294 for 2016. The decrease for 2017 was due to the increase in accumulated depreciation.
- Long-term debt decreased by \$68,321 for 2017 and increased by \$18,721 for 2016. This decrease for 2017 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$27,143 for 2017 and decreased by \$8,116 for 2016.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide Financial Statements**

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

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

**PONTOTOC CITY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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

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

### **Fund Financial Statements**

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

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

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

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:

**PONTOTOC CITY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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

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

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

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

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

### **Notes to the financial statements**

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

### **Required Supplementary Information**

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

### **Supplementary Information**

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

### **Other Information**

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### **Net position**

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$7,187,478 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.

**PONTOTOC CITY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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 Change
Current assets	\$ 3,863,961	\$ 4,266,147	-9.43 %
Restricted assets	1,582,005	1,435,898	10.18 %
Capital assets, net	16,196,467	16,561,169	-2.20 %
<b>Total assets</b>	<b>21,642,433</b>	<b>22,263,214</b>	<b>-2.79 %</b>
<b>Deferred outflows of resources</b>	<b>6,850,093</b>	<b>4,772,670</b>	<b>43.53 %</b>
Current liabilities	285,472	445,413	-35.91 %
Long-term debt outstanding	3,160,896	3,202,074	-1.29 %
Net pension liability	32,148,208	27,043,665	18.88 %
<b>Total liabilities</b>	<b>35,594,576</b>	<b>30,691,152</b>	<b>15.98 %</b>
<b>Deferred inflows of resources</b>	<b>85,428</b>	<b>849,501</b>	<b>-89.94 %</b>
<b>Net position:</b>			
Net investment in capital assets	13,196,467	13,561,169	-2.69 %
Restricted	3,801,340	3,736,976	1.72 %
Unrestricted	(24,185,285)	(21,802,914)	-10.93 %
<b>Total net position (deficit)</b>	<b>\$ (7,187,478)</b>	<b>\$ (4,504,769)</b>	<b>-59.55 %</b>

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (24,185,285)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	25,383,543
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 1,198,258</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 \$364,702 due to depreciation expense.
- The principal retirement of \$68,321 of long-term debt.

**PONTOTOC CITY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2017 and June 30, 2016 were \$19,494,637 and \$19,409,354, respectively. The total cost of all programs and services was \$22,158,828 for 2017 and \$21,242,903 for 2016.

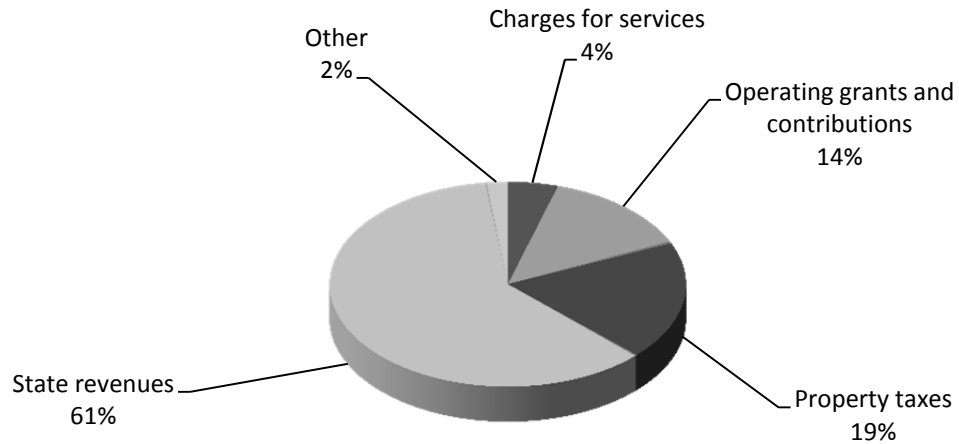
Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2017 and June 30, 2016.

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

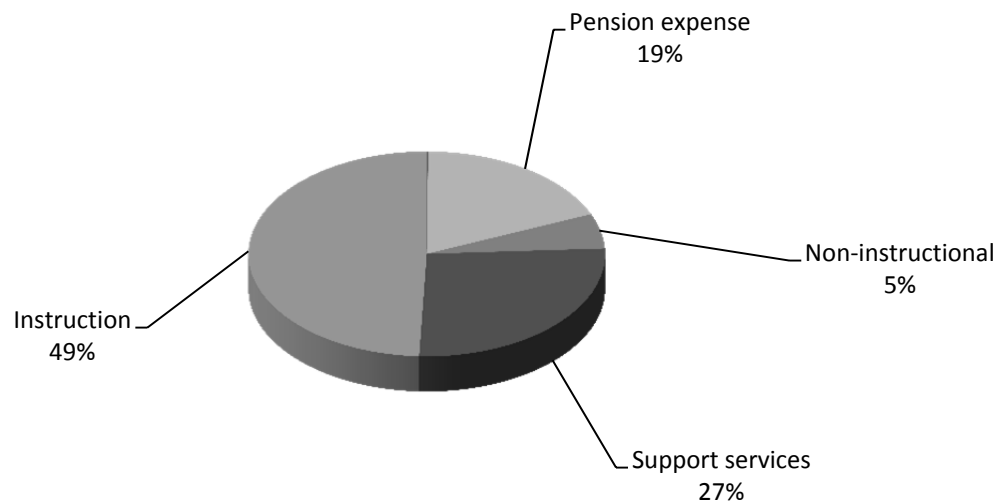
	<u>Year Ended</u> <u>June 30, 2017</u>	<u>Year Ended</u> <u>June 30, 2016</u>	<u>Percentage</u> <u>Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 886,152	\$ 833,022	6.38 %
Operating grants and contributions	2,653,372	2,703,702	(1.86) %
Capital Grants and Contributions	62,647	78,038	(19.72) %
General revenues:			
Property taxes	3,640,985	3,630,877	0.28 %
Grants and contributions not restricted	11,857,133	11,721,845	1.15 %
Investment earnings	17,329	61,978	(72.04) %
Other	377,019	379,892	(0.76) %
<b>Total revenues</b>	<u><b>19,494,637</b></u>	<u><b>19,409,354</b></u>	<b>0.44 %</b>
<b>Expenses:</b>			
Instruction	10,927,967	10,767,169	1.49 %
Support services	5,876,571	5,996,139	(1.99) %
Non-instructional	1,219,885	1,238,909	(1.54) %
Pension expense	4,107,037	3,211,534	27.88 %
Interest on long-term liabilities	27,368	29,152	(6.12) %
<b>Total expenses</b>	<u><b>22,158,828</b></u>	<u><b>21,242,903</b></u>	<b>4.31 %</b>
<b>Increase (Decrease) in net position</b>	<u><b>(2,664,191)</b></u>	<u><b>(1,833,549)</b></u>	<b>(45.30) %</b>
<b>Net Position (Deficit), July 1, as previously reported</b>	<u><b>(4,504,769)</b></u>	<u><b>(2,671,220)</b></u>	<b>(68.64) %</b>
<b>Prior Period Adjustment</b>	<u><b>(18,518)</b></u>	<u><b>-</b></u>	<b>N/A</b>
<b>Net Position (Deficit), July 1, as restated</b>	<u><b>(4,523,287)</b></u>	<u><b>(2,671,220)</b></u>	<b>(69.33) %</b>
<b>Net Position (Deficit), June 30</b>	<u><u><b>\$ (7,187,478)</b></u></u>	<u><u><b>\$ (4,504,769)</b></u></u>	<b>(59.55) %</b>

**PONTOTOC CITY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

**Figure 1  
Sources of Revenues for Fiscal Year 2017**



**Figure 2  
Expenses for Fiscal Year 2017**



**PONTOTOC CITY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**Governmental activities**

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

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

	<b>Total Expenses</b>		<b>Percentage</b>
	<b>2017</b>	<b>2016</b>	<b>Change</b>
Instruction	\$ 10,927,967	\$ 10,767,169	1.49 %
Support services	5,876,571	5,996,139	(1.99) %
Non-instructional	1,219,885	1,238,909	(1.54) %
Pension expense	4,107,037	3,211,534	27.88 %
Interest on long-term liabilities	27,368	29,152	(6.12) %
<b>Total expenses</b>	<b>\$ 22,158,828</b>	<b>\$ 21,242,903</b>	<b>4.31 %</b>

	<b>Net (Expense) Revenue</b>		<b>Percentage</b>
	<b>2017</b>	<b>2016</b>	<b>Change</b>
Instruction	\$ (9,197,175)	\$ (9,018,639)	(1.98) %
Support services	(5,314,829)	(5,473,488)	2.90 %
Non-instructional	89,752	104,672	(14.25) %
Pension expense	(4,107,037)	(3,211,534)	(27.88) %
Interest on long-term liabilities	(27,368)	(29,152)	6.12 %
<b>Total net (expense) revenue</b>	<b>\$ (18,556,657)</b>	<b>\$ (17,628,141)</b>	<b>(5.27) %</b>

- Net cost of governmental activities (\$18,556,657 for 2017 and \$17,628,141 for 2016) was financed by general revenue, which is primarily made up of property taxes (\$3,640,985 for 2017 and \$3,630,877 for 2016) and state and federal revenues (\$11,857,133 for 2017 and \$11,721,845 for 2016).
- Investment earnings amounted to \$17,329 for 2017 and \$61,978 for 2016.



**PONTOTOC CITY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$5,180,378, a decrease of \$98,140, which includes a prior period adjustment of (\$18,518), and an increase in inventory of \$4,926. \$1,107,235 or 21.37% 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 \$4,073,143 or 78.63% 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 \$160,502, which includes a prior period adjustment of (\$18,518). The fund balance of Other Governmental Funds showed an increase in the amount of \$7,759. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
School Food Service Fund	\$	(23,594)
Title I Fund	\$	no increase or decrease
IDEA Part B Fund	\$	no increase or decrease
Vocational Education Fund	\$	no increase or decrease
Special Capital Projects Fund	\$	(112,129)
QSCB Debt Retirement Fund	\$	190,326

**BUDGETARY HIGHLIGHTS**

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

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2017, the District's total capital assets were \$27,730,262, including land, construction-in-progress, school buildings, building improvements, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$243,109 from 2016. Total accumulated depreciation as of June 30, 2017, was \$11,533,795, and total depreciation expense for the year was \$631,547, resulting in total net capital assets of \$16,196,467.

**PONTOTOC CITY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Land	\$ 1,080,770	\$ 1,080,770	0.00 %
Construction in Progress	76,100	125,526	(39.38) %
Buildings	12,692,064	13,068,737	(2.88) %
Building improvements	1,416,033	1,544,682	(8.33) %
Improvements other than buildings	342,646	121,611	181.76 %
Mobile equipment	540,381	553,439	(2.36) %
Furniture and equipment	48,473	66,404	(27.00) %
<b>Total</b>	<b><u>\$ 16,196,467</u></b>	<b><u>\$ 16,561,169</u></b>	<b><u>(2.20) %</u></b>

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 \$3,160,896 in outstanding long-term debt. The liability for compensated absences increased \$27,143 from the prior year.

**Table 5**  
**Outstanding Long-Term Debt**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Shortfall notes payable	\$ -	\$ 68,321	(100.00) %
Qualified school construction bonds payable	3,000,000	3,000,000	0.00 %
Compensated absences payable	160,896	133,753	20.29 %
<b>Total</b>	<b><u>\$ 3,160,896</u></b>	<b><u>\$ 3,202,074</u></b>	<b><u>(1.29) %</u></b>

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

## **CURRENT ISSUES**

The Pontotoc City 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 an internal financial control is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

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

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

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Pontotoc City School District, 140 Education Drive, Pontotoc, MS 38863.

## FINANCIAL STATEMENTS

**PONTOTOC CITY SCHOOL DISTRICT**

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

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 3,175,219
Due from other governments	610,954
Other receivables, net	2
Inventories	34,330
Prepaid items	43,456
Restricted assets	1,582,005
Capital assets, non-depreciable:	
Land	1,080,770
Construction in progress	76,100
Capital assets, net of accumulated depreciation:	
Buildings	12,692,064
Building improvements	1,416,033
Improvements other than buildings	342,646
Mobile equipment	540,381
Furniture and equipment	48,473
Total Assets	<u>21,642,433</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows - pensions	6,850,093
Total deferred inflows of resources	<u>6,850,093</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	255,507
Unearned revenue	10,081
Interest payable on long-term liabilities	19,884
Long-term liabilities, due beyond one year:	
Capital related liabilities	3,000,000
Non-capital related liabilities	160,896
Net pension liability	32,148,208
Total Liabilities	<u>35,594,576</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	85,428
Total deferred inflows of resources	<u>85,428</u>
<b>Net Position</b>	
Net investment in capital assets	13,196,467
Restricted for:	
Expendable:	
School-based activities	603,153
Debt service	1,567,292
Capital improvements	1,580,803
Unemployment benefits	50,092
Unrestricted	(24,185,285)
Total Net Position (Deficit)	<u>\$ (7,187,478)</u>

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

**PONTOTOC CITY SCHOOL DISTRICT**

**Statement of Activities**

**Exhibit B**

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

					Net (Expense) Revenue and Changes in Net Position
		Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
Instruction	\$ 10,927,967	\$ 549,109	\$ 1,181,683	\$ -	\$ (9,197,175)
Support services	5,876,571	54,288	444,807	62,647	(5,314,829)
Non-instructional	1,219,885	282,755	1,026,882	-	89,752
Pension expense	4,107,037	-	-	-	(4,107,037)
Interest on long-term liabilities	27,368	-	-	-	(27,368)
Total Governmental Activities	<u>\$ 22,158,828</u>	<u>\$ 886,152</u>	<u>\$ 2,653,372</u>	<u>\$ 62,647</u>	<u>\$ (18,556,657)</u>
<b>General Revenues:</b>					
Taxes:					
General purpose levies					3,451,899
Debt purpose levies					189,086
Unrestricted grants and contributions:					
State					11,820,362
Federal					36,771
Unrestricted investment earnings					17,329
Other					377,019
Total General Revenues					<u>15,892,466</u>
Change in Net Position					<u>(2,664,191)</u>
Net Position (Deficit) - Beginning, as previously reported					(4,504,769)
Prior Period Adjustments					<u>(18,518)</u>
Net Position (Deficit) - Beginning, as restated					<u>(4,523,287)</u>
Net Position (Deficit) - Ending					<u>\$ (7,187,478)</u>

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

**PONTOTOC CITY SCHOOL DISTRICT**

**Governmental Funds**

**Exhibit C**

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

	Major Funds								Total Governmental Funds
	General Fund	School Food Service Fund	Title I Fund	IDEA Part B Fund	Vocational Education Fund	Special Capital Projects Fund	QSCB Debt Retirement Fund	Other Governmental Funds	
<b>Assets</b>									
Cash and cash equivalents	\$ 893,577	\$ 561,908	\$ -	\$ -	\$ 88,434	\$ 1,460,803	\$ -	\$ 455,526	\$ 3,460,248
Investments							1,296,976		1,296,976
Due from other governments	272,684	4,614	57,996	67,239		120,000		88,421	610,954
Due from other funds	291,204	4,046						767	296,017
Inventories		34,330							34,330
Prepaid items	43,456	-							43,456
Total assets	1,500,921	604,898	57,996	67,239	88,434	1,580,803	1,296,976	544,714	5,741,981

**Liabilities and Fund Balances**

<b>Liabilities:</b>									
Accounts payable and accrued liabilities	\$ 141,000	\$ 2,557	\$ 295	\$ 2,053	\$ 88,434	\$ -	\$ -	\$ 21,168	\$ 255,507
Due to other funds	767	104,045	57,701	65,186	-	-	-	68,316	296,015
Unavailable revenue (See Note 15)		7,830	-	-	-	-	-	2,251	10,081
Total Liabilities	141,767	114,432	57,996	67,239	88,434	-	-	91,735	561,603

**Fund Balances:**

<b>Nonspendable:</b>									
Inventory		34,330							34,330
Prepaid items	43,456								43,456
<b>Restricted:</b>									
Debt service							1,296,976	290,200	1,587,176
Capital projects						1,580,803			1,580,803
Grant activities		456,136						112,687	568,823
Unemployment benefits								50,092	50,092
<b>Assigned:</b>									
Activity Funds	208,463								208,463
<b>Unassigned</b>	1,107,235								1,107,235
Total Fund Balances	1,359,154	490,466	-	-	-	1,580,803	1,296,976	452,979	5,180,378
Total Liabilities and Fund Balances	\$ 1,500,921	\$ 604,898	\$ 57,996	\$ 67,239	\$ 88,434	\$ 1,580,803	\$ 1,296,976	\$ 544,714	\$ 5,741,981

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

**PONTOTOC CITY SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2017**

**Exhibit C-1**

**Total fund balances for governmental funds** \$ 5,180,378

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

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

Land	\$ 1,080,770	
Construction in progress	76,100	
Buildings	19,955,191	
Building improvements	3,216,224	
Improvements other than buildings	635,012	
Mobile equipment	2,200,285	
Furniture and equipment	566,680	
Accumulated depreciation	<u>(11,533,795)</u>	16,196,467

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

Net pension liability	(32,148,208)	
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Deferred outflows and inflows related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	6,850,093	
Deferred inflows of resources related to pensions	<u>(85,428)</u>	(25,383,543)

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

Qualified school construction bonds	(3,000,000)	
Compensated absences	(160,896)	
Accrued interest payable	<u>(19,884)</u>	(3,180,780)

<b>Net Position of governmental activities</b>		<u><u>\$ (7,187,478)</u></u>
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The notes to the financial statements are an integral part of this statement.

**PONTOTOC CITY SCHOOL DISTRICT**

**Governmental Funds**

**Exhibit D**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2017**

	Major Funds								Other Governmental Funds	Total Governmental Funds
	General Fund	School Food Service Fund	Title I Fund	IDEA Part B Fund	Vocational Education Fund	Special Capital Projects Fund	QSCB Retirement Fund	Debt		
<b>Revenues:</b>										
Local sources	\$ 4,143,531	\$ 340,795	\$ -	- \$	- \$	125,958	\$ -	\$ 310,656	\$ 4,920,940	
State sources	11,935,706	11,852	-	-	263,835	-	-	111,003	12,322,396	
Federal sources	37,093	1,056,612	498,215	475,626	-	-	-	183,211	2,250,757	
Total Revenues	16,116,330	1,409,259	498,215	475,626	263,835	125,958	-	604,870	19,494,093	
<b>Expenditures:</b>										
Instruction	10,652,057	-	348,420	349,488	380,944	65,587		209,462	12,005,958	
Support services	5,579,927	68,327	145,365	109,516		10,050		84,394	5,997,579	
Noninstructional services		1,268,087	4,430	1,137				4,535	1,278,189	
Facilities acquisition and construction	76,100					112,450			188,550	
Debt service:										
Principal								68,321	68,321	
Interest							25,200	2,220	27,420	
Other							1,950	-	1,950	
Total Expenditures	16,308,084	1,336,414	498,215	460,141	380,944	188,087	27,150	368,932	19,567,967	
Excess (Deficiency) of Revenues over (under) Expenditures	(191,754)	72,845	-	15,485	(117,109)	(62,129)	(27,150)	235,938	(73,874)	
<b>Other Financing Sources (Uses):</b>										
Payment held by QSCB escrow agent							228,150		228,150	
Payment to QSCB escrow agent								(228,150)	(228,150)	
Operating transfers in	169,530	2,680			117,109			2,651	291,970	
Operating transfers out	(119,760)	(104,045)		(15,485)		(50,000)		(2,680)	(291,970)	
Other financing uses							(10,674)		(10,674)	
Total Other Financing Sources (Uses)	49,770	(101,365)	-	(15,485)	117,109	(50,000)	217,476	(228,179)	(10,674)	
Net Change in Fund Balances	(141,984)	(28,520)	-	-	-	(112,129)	190,326	7,759	(84,548)	
<b>Fund Balances:</b>										
July 1, 2016, as previously reported	1,519,656	514,060	-	-	-	1,692,932	1,106,650	445,220	5,278,518	
Prior period adjustments	(18,518)								(18,518)	
July 1, 2016, as restated	1,501,138	514,060	-	-	-	1,692,932	1,106,650	445,220	5,260,000	
Increase (Decrease) in inventory		4,926							4,926	
June 30, 2017	\$ 1,359,154	\$ 490,466	\$ -	- \$	- \$	\$ 1,580,803	\$ 1,296,976	\$ 452,979	\$ 5,180,378	

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



**PONTOTOC CITY SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2017**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ (84,548)

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

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

Capital outlay	\$ 271,795	
Depreciation expense	<u>(631,547)</u>	(359,752)

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold. (4,950)

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

Payments of debt principal	68,321	
Accrued interest payable	<u>2,002</u>	70,323

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

Pension expense	(4,107,037)	
Contributions subsequent to the measurement date	<u>1,843,991</u>	(2,263,046)

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

Change in compensated absences	(27,143)	
Change in inventory	<u>4,926</u>	(22,217)

6. Rounding

(1)

**Change in Net Position of governmental activities** \$ (2,664,191)

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

PONTOTOC CITY SCHOOL DISTRICT

**Fiduciary Funds**

**Statement of Fiduciary Assets and Liabilities  
June 30, 2017**

**Exhibit E**

	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 819,074
Total Assets	<u>\$ 819,074</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 808,849
Due to other funds	2
Due to student clubs	10,223
Total Liabilities	<u>\$ 819,074</u>

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

**Pontotoc City School District**

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

## **PONTOTOC CITY SCHOOL DISTRICT**

### **Notes to the Financial Statements For 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 an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Pontotoc since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

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

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

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

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

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

## **PONTOTOC CITY SCHOOL DISTRICT**

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

capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

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

The school district reports the following major governmental funds:

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

**School Food Service Fund** - This fund is used to account for the revenues and expenditures of the School Food Service and Child Nutrition program.

**Title I Fund** - This fund is used to account for the federal revenues and expenditures of the Title I program.

**IDEA Part B Fund** - This fund is used to account for the federal revenues and expenditures of the Special Education program.

**Vocational Education Fund** - This fund is used to account for the state revenues and expenditures of the Vocational Education program.

**Special Capital Projects Fund** - This fund is used to account for the financial resources for acquisition or construction of major capital facilities.

**QSCB Debt Retirement Fund** - This fund is used to account for the investment and payment to escrow accounts held for the principal repayment of the QSCB bonds.

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

The District's fiduciary funds include the following:

**Activity-Agency Fund** - This fund is used to account for revenues and expenditures of various student clubs in the district.

**Accounts Payable Clearing Fund** - This fund is used to account for the district's claims payable and the payment of those claims.

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

Additionally, the school district reports the following fund types:

#### **GOVERNMENTAL FUNDS**

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

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

## PONTOTOC CITY SCHOOL DISTRICT

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

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

#### FIDUCIARY FUNDS

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

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

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

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

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

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

Ad valorem property taxes are levied by the governing authority of the city 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.

## PONTOTOC CITY SCHOOL DISTRICT

### Notes to the Financial Statements For 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 Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

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

Investments for the district are reported at fair market value.

##### **2. Receivables and payables**

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

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

##### **3. Due from Other Governments**

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

## PONTOTOC CITY SCHOOL DISTRICT

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

#### 4. Inventories and Prepaid Items

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

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

#### 5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified School Construction Bond sinking funds.

#### 6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

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

#### 7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element,



## PONTOTOC CITY SCHOOL DISTRICT

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

deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows are related to the district's long-term pension obligations.

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

See Note 14 for further details.

#### 8. Compensated Absences

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

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

#### 9. Long-term Liabilities and Bond Discounts/Premiums

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

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

#### 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:

## PONTOTOC CITY SCHOOL DISTRICT

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

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

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

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

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

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

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

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

#### **F. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

#### **Note 2 – Cash and Cash Equivalents and Investments**

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

## PONTOTOC CITY SCHOOL DISTRICT

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

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

**Investments.** Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

#### Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$3,460,248 and \$819,074, 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 \$4,497,190 was exposed to custodial credit risk.

#### Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
Performance U.S. Treasury Fund	Not Rated	Less than 1	\$ <u>1,296,976</u>

Investments are presented as Restricted Assets in the Statement of Net Position. See Note 4 for additional information.

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

## PONTOTOC CITY SCHOOL DISTRICT

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

assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

- Level 1 type of investments of \$1,296,976 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.

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

Issuer	Fair Value	% of Total Investments
Performance U.S. Treasury Fund	\$ 1,296,976	100%

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

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

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

Receivable Fund	Payable Fund	Amount
General Fund	School Food Service Fund	\$ 104,045
General Fund	Title I Fund	57,701
General Fund	IDEA Part B Fund	65,186
General Fund	Other Governmental Funds	64,270
General Fund	Fiduciary Funds	2
School Food Service Fund	Other Governmental Funds	4,046
Other Governmental Funds	General Fund	767
Total		<u>\$ 296,017</u>

Inter-fund receivables and payables consist primarily of loans from the General Fund to various special revenue funds to cover cash deficits in pooled bank accounts.

# PONTOTOC CITY SCHOOL DISTRICT

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

### B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Vocational Education Fund	\$ 117,109
General Fund	Other Governmental Funds	2,651
School Food Service Fund	General Fund	104,045
IDEA Part B Fund	General Fund	15,485
Special Capital Projects Fund	General Fund	50,000
Other Governmental Funds	School Food Service Fund	2,680
Total		<u>\$ 291,970</u>

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

### Note 4 – Restricted Assets

The restricted assets represent the cash and investment balance, totaling \$285,029 and \$1,296,976, respectively, of the QSCB Bond Retirement Fund.

### Note 5 – Capital Assets

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

	Balance 7/1/2016	Increases	Decreases	Completed Construction	Balance 6/30/2017
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,080,770	\$ -	\$ -	\$ -	1,080,770
Construction-in-progress	125,526	153,300	-	(202,726)	76,100
Total non-depreciable capital assets	<u>1,206,296</u>	<u>153,300</u>	<u>-</u>	<u>(202,726)</u>	<u>1,156,870</u>
<u>Depreciable capital assets:</u>					
Buildings	19,955,191	-	-	-	19,955,191
Building improvements	3,216,224	-	-	-	3,216,224
Improvements other than buildings	397,036	35,250	-	202,726	635,012
Mobile equipment	2,122,535	77,750	-	-	2,200,285
Furniture and equipment	589,871	5,495	28,686	-	566,680
Total depreciable capital assets	<u>26,280,857</u>	<u>118,495</u>	<u>28,686</u>	<u>202,726</u>	<u>26,573,392</u>
<u>Less accumulated depreciation for:</u>					
Buildings	6,886,454	376,673	-	-	7,263,127
Building improvements	1,671,542	128,649	-	-	1,800,191
Improvements other than buildings	275,425	16,941	-	-	292,366
Mobile equipment	1,569,096	90,808	-	-	1,659,904
Furniture and equipment	523,467	18,476	23,736	-	518,207
Total accumulated depreciation	<u>10,925,984</u>	<u>631,547</u>	<u>23,736</u>	<u>-</u>	<u>11,533,795</u>
Total depreciable capital assets, net	<u>15,354,873</u>	<u>(513,052)</u>	<u>4,950</u>	<u>202,726</u>	<u>15,039,597</u>
Governmental activities capital assets, net	<u>\$ 16,561,169</u>	<u>\$ (359,752)</u>	<u>\$ 4,950</u>	<u>\$ -</u>	<u>\$ 16,196,467</u>

# PONTOTOC CITY SCHOOL DISTRICT

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

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 203,845
Support services	423,097
Non-instructional	4,605
Total depreciation expense	<u>\$ 631,547</u>

The details of construction in progress are as follows:

	Spent to June 30, 2017	Remaining Commitment
<b>Governmental Activities:</b>		
D T Cox Gym Reroof	\$ <u>76,100</u>	\$ <u>10,620</u>

Reroofing project included in governmental activities are funded with District Maintenance Fund.

### Note 6 – Long-term Liabilities

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

	Balance 7/1/2016	Additions	Reductions	Balance 6/30/2017	Amounts due within one year
A. Shortfall notes payable	\$ 68,321	\$ -	\$ 68,321	\$ -	-
B. Qualified school construction bonds payable	3,000,000	-	-	3,000,000	-
C. Compensated absences payable	133,753	27,143	-	160,896	-
Total	<u>\$ 3,202,074</u>	<u>\$ 27,143</u>	<u>\$ 68,321</u>	<u>\$ 3,160,896</u>	<u>-</u>

#### A. Shortfall notes payable

This debt was paid off and retired from the Shortfall Debt Fund.

#### B. Qualified school construction bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified School Construction Bonds Payable	0.84%	9/15/2009	9/15/2024	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>

## PONTOTOC CITY SCHOOL DISTRICT

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

#### **C. Compensated absences payable**

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

#### **Note 7 – Defined Benefit Pension Plan**

##### **General Information about the Pension Plan**

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

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

*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2017 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2017, 2016 and 2015 were \$1,843,991, \$1,813,380 and \$1,721,441, 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 \$32,148,208 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.

# PONTOTOC CITY SCHOOL DISTRICT

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

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 0.179976 percent, which was based on a measurement date of June 30, 2016. This was an increase of 0.005027 percent from its proportionate share used to calculate the June 30, 2016 net pension liability, which was based on a measurement date of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$4,107,037. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 887,025	\$
Net difference between projected and actual earnings on pension plan investments	2,178,762	
Changes of assumptions	1,473,205	85,428
Changes in proportion and differences between District contributions and proportionate share of contributions	467,110	
District contributions subsequent to the measurement date	1,843,991	
Total	\$ <u>6,850,093</u>	\$ <u>85,428</u>

\$1,843,991 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	\$ 1,714,964
2019	1,350,039
2020	1,220,577
2021	635,094

*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.



## PONTOTOC CITY SCHOOL DISTRICT

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

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

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

*Discount rate.* The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member 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. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 41,221,210	\$ 32,148,208	\$ 24,620,557

*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 – Contingencies

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

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

## **PONTOTOC CITY SCHOOL DISTRICT**

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

#### **Note 9 – Risk Management**

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

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

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

#### **Note 10 – Qualified School Construction Bonds**

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

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. Since the school district is paying only a nominal amount of interest on this debt, the school district did not receive any QSCB interest payments from the federal government.

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2017 was \$1,296,976. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

**PONTOTOC CITY SCHOOL DISTRICT**

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

Year Ending June 30	Amount
2018	\$ 217,000
2019	217,000
2020	217,000
2021	217,000
2022	217,000
2023 – 2025	651,000
Total	<u>\$ 1,736,000</u>

The EEF Building and buses revenue has been pledged for this debt. On November 9, 2009, the Pontotoc City School Board pledged revenue of \$62,647 annually for payment on the Qualified School Construction Bonds loan, subject to any prior pledge for the benefit of any obligation that is currently outstanding. The debt issued was for the purpose of construction, repair, and equipment for the school district. The commitment began in the fiscal year 2010-11 and will end with the 2024-25 school year. The revenue from the state varies from year to year, but is all used for the debt retirement. For the year 2016-17 the EEF revenue was \$62,647, of which \$62,647 was applied to the debt payment of the Qualified School Construction Bonds.

**Note 11 – Other Commitments**

Commitments under construction contracts are described in Note 5.

**Note 12 – Prior Period Adjustments**

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Prior year Discretionary Grant receivable decrease	\$ (12,743)
2. Prior year Drivers Ed receivable decrease	<u>(5,775)</u>
Total	<u>\$ (18,518)</u>

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

Fund	Explanation	Amount
General Fund	Prior year Drivers Ed receivable decrease	\$ (5,775)
General Fund	Prior year Discretionary Grant receivable decrease	<u>(12,743)</u>
Total		<u>\$ (18,518)</u>

## **PONTOTOC CITY SCHOOL DISTRICT**

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

#### **Note 13 – Vocational School Consortium**

The school district entered into a Vocational Educational Agreement dated January 31, 1984 creating the Pontotoc Ridge Career and Technical Center. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the Pontotoc County School District and Pontotoc City School District.

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

The Pontotoc County School District has been designated as the fiscal agent for the Pontotoc Ridge Career and Technical Center, and the operations of the consortium are included in its financial statements.

#### **Note 14 – Effect of Deferred Amounts on Net Position**

The unrestricted net position amount of (\$24,185,285) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$6,850,093 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 (\$24,185,285) includes the effect of deferring the recognition of revenues resulting from a deferred inflow from pensions. The \$85,428 balance of deferred inflow of resources, at June 30, 2017 will be recognized as revenue and will increase the unrestricted net position over the next 3 years.

#### **Note 15 – Unavailable Revenue**

The Pontotoc City School District received \$7,830 from up-front student payments for participation in the child nutrition program for breakfast and lunch in the school cafeterias. The remaining \$2,251 was from a non-reimbursable grant received from University of Southern Mississippi.

#### **Note 16 - 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 Pontotoc City School District evaluated the activity of the district through the date the financial statements were available to be issued, and determined no subsequent events have occurred requiring disclosure in the notes to the financial statements.

## REQUIRED SUPPLEMENTARY INFORMATION

**PONTOTOC CITY SCHOOL DISTRICT**  
**Required Supplementary Information**

**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
<b>Revenues:</b>					
Local sources	\$ 3,744,698	\$ 4,143,531	\$ 4,143,531	\$ 398,833	\$ -
State sources	12,211,089	11,935,706	11,935,706	(275,383)	-
Federal sources	66,075	37,093	37,093	(28,982)	-
Total Revenues	16,021,862	16,116,330	16,116,330	94,468	-
<b>Expenditures:</b>					
Instruction	10,332,858	10,652,057	10,652,057	(319,199)	-
Support services	5,947,560	5,579,927	5,579,927	367,633	-
Facilities acquisition and construction		76,100	76,100	(76,100)	-
Total Expenditures	16,280,418	16,308,084	16,308,084	(27,666)	-
Excess (Deficiency) of Revenues over (under) Expenditures	(258,556)	(191,754)	(191,754)	66,802	-
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	1,603,657	169,530	169,530	(1,434,127)	-
Operating transfers out	(1,794,992)	(119,760)	(119,760)	1,675,232	-
Total Other Financing Sources (Uses)	(191,335)	49,770	49,770	241,105	-
Net Change in Fund Balances	(449,891)	(141,984)	(141,984)	307,907	-
<b>Fund Balances:</b>					
July 1, 2016, as previously reported	1,519,656	1,519,656	1,519,656	-	-
Prior period adjustments	(18,518)	(18,518)	(18,518)	-	-
July 1, 2016, as restated	1,501,138	1,501,138	1,501,138	-	-
June 30, 2017	\$ 1,051,247	\$ 1,359,154	\$ 1,359,154	\$ 307,907	\$ -

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

**PONTOTOC CITY SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**School Food Service Fund**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 388,820	\$ 340,795	\$ 340,795	\$ (48,025)	\$ -
State sources	15,400	11,852	11,852	(3,548)	-
Federal sources	1,064,000	1,056,612	1,056,612	(7,388)	-
Total Revenues	1,468,220	1,409,259	1,409,259	(58,961)	-
<b>Expenditures:</b>					
Support services	78,924	68,327	68,327	10,597	-
Noninstructional services	1,301,392	1,268,087	1,268,087	33,305	-
Total Expenditures	1,380,316	1,336,414	1,336,414	43,902	-
Excess (Deficiency) of Revenues over (under) Expenditures	87,904	72,845	72,845	(15,059)	-
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	-	2,680	2,680	2,680	-
Operating transfers out	(84,000)	(104,045)	(104,045)	(20,045)	-
Total Other Financing Sources (Uses)	(84,000)	(101,365)	(101,365)	(17,365)	-
Net Change in Fund Balances	3,904	(28,520)	(28,520)	(32,424)	-
Fund Balances:					
July 1, 2016	514,060	514,060	514,060	-	-
Increase (Decrease) in reserve for inventory	4,926	4,926	4,926	-	-
June 30, 2017	\$ 522,890	\$ 490,466	\$ 490,466	\$ (32,424)	\$ -

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

**PONTOTOC CITY SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**Title I Fund**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 796,824	\$ 498,215	\$ 498,215	\$ (298,609)	\$ -
Total Revenues	796,824	498,215	498,215	(298,609)	-
<b>Expenditures:</b>					
Instruction	417,919	348,420	348,420	69,499	-
Support services	93,675	145,365	145,365	(51,690)	-
Noninstructional services		4,430	4,430	(4,430)	-
Total Expenditures	511,594	498,215	498,215	13,379	-
Excess (Deficiency) of Revenues over (under) Expenditures	285,230	-	-	(285,230)	-
Net Change in Fund Balances	285,230	-	-	(285,230)	-
Fund Balances:					
July 1, 2016	-	-	-	-	-
June 30, 2017	\$ 285,230	\$ -	\$ -	(285,230)	\$ -

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



**PONTOTOC CITY SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**IDEA Part B Fund**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 502,552	\$ 475,626	\$ 475,626	\$ (26,926)	\$ -
Total Revenues	502,552	475,626	475,626	(26,926)	-
<b>Expenditures:</b>					
Instruction	481,241	349,488	349,488	131,753	-
Support services		109,516	109,516	(109,516)	-
Noninstructional services		1,137	1,137	(1,137)	-
Total Expenditures	481,241	460,141	460,141	21,100	-
Excess (Deficiency) of Revenues over (under) Expenditures	21,311	15,485	15,485	(5,826)	-
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(21,311)	(15,485)	(15,485)	5,826	-
Total Other Financing Sources (Uses)	(21,311)	(15,485)	(15,485)	5,826	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2016	-	-	-	-	-
June 30, 2017	\$ -	\$ -	\$ -	\$ -	\$ -

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

**PONTOTOC CITY SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**Vocational Education Fund**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variances	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
<b>Revenues:</b>					
State sources	\$ 101,121	\$ 263,835	\$ 263,835	\$ 162,714	\$ -
Total Revenues	101,121	263,835	263,835	162,714	-
<b>Expenditures:</b>					
Instruction	378,500	380,944	380,944	(2,444)	-
Total Expenditures	378,500	380,944	380,944	(2,444)	-
Excess (Deficiency) of Revenues over (under) Expenditures	(277,379)	(117,109)	(117,109)	160,270	-
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	277,379	117,109	117,109	(160,270)	-
Total Other Financing Sources (Uses)	277,379	117,109	117,109	(160,270)	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2016	-	-	-	-	-
June 30, 2017	\$ -	\$ -	\$ -	\$ -	-

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

**PONTOTOC CITY SCHOOL DISTRICT****Required Supplementary Information****SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY****PERS****Last 10 Fiscal Years\***

	<b>2017</b>	<b>2016</b>	<b>2015</b>
District's proportion of the net pension liability (asset)	0.179976%	0.174949%	0.176300%
District's proportionate share of the net pension liability (asset)	\$ 32,148,208	27,043,665	21,363,177
District's covered payroll	11,513,524	10,929,784	10,500,990
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	279.22%	247.43%	203.44%
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.

**PONTOTOC CITY SCHOOL DISTRICT**  
**Required Supplementary Information**

**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**PERS**  
**Last 10 Fiscal Years**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,843,991	1,813,380	1,721,441
Contributions in relation to the contractually required contribution	1,843,991	1,813,380	1,721,441
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
District's covered payroll	11,707,873	11,513,524	10,929,784
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%

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

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

## **Pontotoc City 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 Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget Amendments and Revisions

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

#### Pension Schedules

(1) Changes of benefit terms

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

**PONTOTOC CITY SCHOOL DISTRICT**

**Supplementary Information**

**Schedule of Expenditures of Federal Awards**

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

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 282,542
National school lunch program	10.555	774,070
Summer food service program for children	10.559	6,124
Total child nutrition cluster		<u>1,062,736</u>
Total passed-through Mississippi Department of Education		<u>1,062,736</u>
<b>Total U.S. Department of Agriculture</b>		<u><u>1,062,736</u></u>
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	498,215
Rural education	84.358	39,393
English language acquisition grants	84.365	19,722
Supporting effective instruction state grants	84.367	102,531
Subtotal		<u>659,861</u>
Special education cluster:		
Special education - grants to states	84.027	475,626
Special education - preschool grants	84.173	15,441
Total special education cluster		<u>491,067</u>
Total passed-through Mississippi Department of Education		<u>1,150,928</u>
<b>Total U.S. Department of Education</b>		<u><u>1,150,928</u></u>
Total for All Federal Awards		<u><u>\$ 2,213,664</u></u>

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

**PONTOTOC CITY SCHOOL DISTRICT**

**Supplementary Information**

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

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

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 15,840,956	12,331,760	573,371	984,227	1,951,598
Other	3,727,011	1,159,017	225,701	2,018	2,340,275
Total	<u>\$ 19,567,967</u>	<u>13,490,777</u>	<u>799,072</u>	<u>986,245</u>	<u>4,291,873</u>
Total number of students *	<u>2,062</u>				
Cost per student	<u>\$ 9,490</u>	<u>6,543</u>	<u>388</u>	<u>478</u>	<u>2,081</u>

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

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

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

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

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

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



## **Pontotoc City School District**

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

### **Schedule of Expenditures of Federal Awards**

(1) Basis of Presentation

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

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements; however, the expenditures include transfers out. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Indirect Cost Rate

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

(4) Other Items

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

Donated commodities of \$61,759 are included in the National School Lunch Program.

## OTHER INFORMATION

**PONTOTOC CITY SCHOOL DISTRICT**

**Other Information**

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

**General Fund**

**Last Four Years**

**UNAUDITED**

	2017	2016*	2015*	2014*
<b>Revenues:</b>				
Local sources	\$ 4,143,531	\$ 4,035,196	\$ 4,037,959	\$ 3,891,975
State sources	11,935,706	11,767,109	11,473,868	11,352,396
Federal sources	37,093	92,367	92,184	91,207
Total Revenues	16,116,330	15,894,672	15,604,011	15,335,578
<b>Expenditures:</b>				
Instruction	10,652,057	10,355,747	10,253,334	9,692,403
Support services	5,579,927	5,641,226	5,222,844	5,324,238
Facilities acquisition and construction	76,100			
Total Expenditures	16,308,084	15,996,973	15,476,178	15,016,641
Excess (Deficiency) of Revenues over (under) Expenditures	(191,754)	(102,301)	127,833	318,937
<b>Other Financing Sources (Uses):</b>				
Notes issued		65,188		
Insurance recovery			10,695	
Operating transfers in	169,530	128,255	103,311	75,016
Operating transfers out	(119,760)	(192,734)	(206,838)	(187,057)
Total Other Financing Sources (Uses)	49,770	709	(92,832)	(112,041)
Net Change in Fund Balances	(141,984)	(101,592)	35,001	206,896
<b>Fund Balances:</b>				
Beginning of period, as previously reported	1,519,656	1,621,248	1,586,247	1,379,351
Prior period adjustments	(18,518)			-
Beginning of period, as restated	1,501,138	1,621,248	1,586,247	1,379,351
End of Period	\$ 1,359,154	\$ 1,519,656	\$ 1,621,248	\$ 1,586,247

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**PONTOTOC CITY SCHOOL DISTRICT**

**Other Information**

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

**All Governmental Funds**

**Last Four Years**

**UNAUDITED**

	2017	2016*	2015*	2014*
<b>Revenues:</b>				
Local sources	\$ 4,920,940	\$ 4,905,768	\$ 4,919,270	\$ 4,601,444
State sources	12,322,396	12,175,435	11,866,389	11,847,478
Federal sources	2,250,757	2,328,151	2,367,578	2,601,520
Total Revenues	19,494,093	19,409,354	19,153,237	19,050,442
<b>Expenditures:</b>				
Instruction	12,005,958	11,861,867	11,643,803	11,166,382
Support services	5,997,579	6,045,572	5,966,621	6,554,272
Noninstructional services	1,278,189	1,288,324	1,247,876	1,190,582
Facilities acquisition and construction	188,550	125,526	-	59,818
Debt service:				
Principal	68,321	49,600	24,800	24,800
Interest	27,420	25,200	25,200	25,200
Other	1,950	1,950	2,600	2,600
Total Expenditures	19,567,967	19,398,039	18,910,900	19,023,654
Excess (Deficiency) of Revenues over (under) Expenditures	(73,874)	11,315	242,337	26,788
<b>Other Financing Sources (Uses):</b>				
Notes issued	-	68,321	-	-
Insurance recovery	-	-	10,695	-
Payment held by QSCB escrow agent	228,150	228,150	227,150	227,147
Payment to QSCB escrow agent	(228,150)	(228,150)	(227,150)	(227,147)
Operating transfers in	291,970	342,774	385,293	262,073
Operating transfers out	(291,970)	(342,774)	(385,293)	(262,073)
Other financing uses	(10,674)	-	-	-
Total Other Financing Sources (Uses)	(10,674)	68,321	10,695	-
Net Change in Fund Balances	(84,548)	79,636	253,032	26,788
<b>Fund Balances:</b>				
Beginning of period, as previously reported	5,278,518	5,208,012	4,952,003	4,926,136
Prior period adjustments	(18,518)	-	-	-
Beginning of period, as restated	5,260,000	5,208,012	4,952,003	4,926,136
Increase (Decrease) in inventory	4,926	(9,130)	2,977	(921)
End of Period	\$ 5,180,378	\$ 5,278,518	\$ 5,208,012	\$ 4,952,003

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Pontotoc City 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 Pontotoc City School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Pontotoc City School District's basic financial statements, and have issued our report thereon dated December 18, 2017.

**Internal Control Over Financial Reporting**

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

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

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

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BRANDON, MISSISSIPPI 39047  
TELEPHONE 601-992-5292 FAX 601-992-2033

## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
December 18, 2017

Certified Public Accountants

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

Superintendent and School Board  
Pontotoc City School District

**Report on Compliance for Each Major Federal Program**

We have audited Pontotoc City 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 Pontotoc City School District's major federal programs for the year ended June 30, 2017. The Pontotoc City School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

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## Opinion on Each Major Federal Program

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

## Report on Internal Control Over Compliance

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

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

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

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

*Fortenberry & Ballard, PC*

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December 18, 2017

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Pontotoc City School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pontotoc City School District as of and for the year ended June 30, 2017, which collectively comprise Pontotoc City School District's basic financial statements and have issued our report thereon dated December 18, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

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

*FORTENBERRY & BALLARD, PC*

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December 18, 2017

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Pontotoc City School District

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

#### Section I: Summary of Auditor's Results

##### Financial Statements:

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

##### Federal Awards:

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

CFDA Numbers:	Name of Federal Program or Cluster
10.553, 10.555 & 10.559	Child Nutrition Cluster

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

#### Section II: Financial Statements Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

#### Section III: Federal Awards Findings and Questioned Costs

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