



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

SCOTT COUNTY SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2017**

**Charles L. Shivers, CPA, LLC
Ridgeland, MS**

This page left blank intentionally.

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT.....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	5
BASIC FINANCIAL STATEMENTS.....	13
Government-wide Financial Statements	
Exhibit A Statement of Net Position.....	15
Exhibit B Statement of Activities.....	16
Governmental Funds Financial Statements	
Exhibit C Balance Sheet – Governmental Funds.....	17
Exhibit C-1 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position.....	18
Exhibit D Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	19
Exhibit D-1 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.....	20
Fiduciary Funds Financial Statements	
Exhibit E Statement of Fiduciary Assets and Liabilities	21
Notes to the Financial Statements.....	23
REQUIRED SUPPLEMENTARY INFORMATION.....	41
Budgetary Comparison Schedule for the General Fund.....	43
Budgetary Comparison Schedule for the Major Special Revenue Fund – Vocational Fund.....	44
Schedule of the District's Proportionate Share of the Net Pension Liability.....	45
Schedule of District Contributions.....	46
Notes to the Required Supplementary Information.....	47
SUPPLEMENTARY INFORMATION.....	49
Schedule of Expenditures of Federal Awards.....	51
Notes to the Schedule of Expenditures of Federal Awards.....	52
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	53
OTHER INFORMATION.....	55
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	55
REPORTS ON INTERNAL CONTROLS AND COMPLIANCE.....	59
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> ...	61
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	63
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	65
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	69
AUDITEE'S CORRECTIVE ACTION PLAN AND SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS.....	73

This page left blank intentionally.

INDEPENDENT AUDITOR'S REPORT

This page left blank intentionally.

CHARLES L. SHIVERS, CPA, LLC

Certified Public Accountant

Post Office Box 2775
Ridgeland, MS 39158

Phone: 601.941.6649
Email: clscpa@bellsouth.net

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Scott County School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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 Scott County 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, schedule of the district's proportionate share of the net pension liability and schedule of district contributions 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Scott County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my 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, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated March 8, 2018, on my consideration of the Scott County School District's internal control over financial reporting and on my 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 my 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 Scott County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Scott County School District's internal control over financial reporting and compliance.

Charles L Shivers

Charles L. Shivers, CPA, LLC
Ridgeland, MS
March 8, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

This page left blank intentionally.

SCOTT COUNTY SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2017

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

FINANCIAL HIGHLIGHTS

- Total net position for 2017 decreased \$6,348,614, including a prior period adjustment of (\$9,928), which represents a 37% decrease from fiscal year 2016. Total net position for 2016 decreased \$2,433,618, which represents a 17% decrease from fiscal year 2015.
- General revenues amounted to \$26,331,834 and \$25,339,721, or 80% and 79% 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 \$6,615,682, or 20% of total revenues for 2017, and \$6,692,499, or 21% of total revenues for 2016.
- The District had \$39,286,202 and \$34,465,838 in expenses for fiscal years 2017 and 2016; only \$6,615,682 for 2017 and \$6,692,499 for 2016 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$26,331,834 for 2017 and \$25,339,721 for 2016 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$25,949,373 in revenues and \$26,675,978 in expenditures for 2017, and \$25,289,118 in revenues and \$25,326,122 in expenditures in 2016. The General Fund's fund balance decreased by \$622,355 from 2016 to 2017, and decreased by \$61,065 from 2015 to 2016.
- Capital assets, net of accumulated depreciation, increased by \$1,440,253 for 2017 and decreased by \$581,292 for 2016. The increase for 2017 was due to the ongoing construction and improvement of school facilities at fiscal year end.
- Total long-term debt increased by \$4,896,033 for 2017 and decreased by \$72,863 for 2016. The increase for 2017 was due primarily to the issuance of three mill notes and qualified zone academy bonds during the fiscal year. The liability for compensated absences decreased by \$10,604 for 2017 and increased by \$4,073 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.

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

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities

or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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 \$23,305,784 as of June 30, 2017. The District's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

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

Table 1
Condensed Statement of Net Position

	June 30, 2017	June 30, 2016	Percentage Change
Current assets	\$ 3,136,511	\$ 4,865,792	(35.54) %
Restricted assets	5,905,486	83,408	6,980.24 %
Capital assets, net	14,557,612	13,117,359	10.98 %
Total assets	23,599,609	18,066,559	30.63 %
Deferred outflows of resources	10,146,342	10,946,578	(7.31) %
Current liabilities	1,083,507	301,966	258.82 %
Long-term debt outstanding	5,396,640	500,607	978.02 %
Net pension liability	49,812,610	41,736,676	19.35 %
Total liabilities	56,292,757	42,539,249	32.33 %
Deferred inflows of resources	758,978	3,431,058	(77.88) %
Net position:			
Net investment in capital assets	12,234,092	12,791,395	(4.36) %
Restricted	1,462,084	1,107,926	31.97 %
Unrestricted	(37,001,960)	(30,856,491)	(19.92) %
Total net position	\$ (23,305,784)	\$ (16,957,170)	(37.44) %

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)	\$ (37,001,960)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pension	39,760,599
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 2,758,639</u>

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

- Increase in net capital assets in the amount of \$1,440,253.
- Issuance of long term debt in the amount of \$4,985,353.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2017 and June 30, 2016 were \$32,947,516 and \$32,032,220, respectively. The total cost of all programs and services was \$39,286,202 for 2017 and \$34,465,838 for 2016.

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

Table 2
Changes in Net Position

	Year Ended June 30, 2017	Year Ended June 30, 2016	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 821,419	\$ 749,421	9.61 %
Operating grants and contributions	5,794,263	5,831,070	(0.63) %
Capital Grants and Contributions	0	112,008	(100.00) %
General revenues:			
Property taxes	3,747,025	3,121,825	20.03 %
Grants and contributions not restricted	21,559,984	21,526,425	0.16 %
Investment earnings	17,447	11,051	57.88 %
Sixteenth section sources	737,133	543,051	35.74 %
Other	270,245	137,369	96.73 %
Total revenues	32,947,516	32,032,220	2.86 %
Expenses:			
Instruction	18,048,797	17,138,205	5.31 %
Support services	10,347,563	10,157,769	1.87 %
Non-instructional	2,187,029	2,453,121	(10.85) %
Sixteenth section	78,647	89,078	(11.71) %
Pension expense	8,497,874	4,619,692	83.95 %
Interest on long-term liabilities	126,292	7,973	1,484.00 %
Total expenses	39,286,202	34,465,838	13.99 %
Increase (Decrease) in net position	(6,338,686)	(2,433,618)	(160.46) %
Net Position, July 1, as previously reported	(16,957,170)	(14,523,552)	(16.76) %
Prior Period Adjustment	(9,928)	0	N/A
Net Position, July 1, as restated	(16,967,098)	(14,523,552)	(16.82) %
Net Position, June 30	\$ (23,305,784)	\$ (16,957,170)	(37.44) %

Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2017	2016	
Instruction	\$ 18,048,797	\$ 17,138,205	5.31 %
Support services	10,347,563	10,157,769	1.87 %
Non-instructional	2,187,029	2,453,121	(10.85) %
Sixteenth section	78,647	89,078	(11.71) %
Pension Expense	8,497,874	4,619,692	83.95 %
Interest on long-term liabilities	126,292	7,973	1,484.00 %
Total expenses	\$ 39,286,202	\$ 34,465,838	13.99 %

	Net (Expense) Revenue		Percentage Change
	2017	2016	
Instruction	\$ (15,240,632)	\$ (14,309,139)	6.51 %
Support services	(9,132,897)	(8,812,348)	3.64 %
Non-instructional	315,344	5,854	5,286.81 %
Sixteenth section	11,831	(30,041)	(139.38) %
Pension Expense	(8,497,874)	(4,619,692)	83.95 %
Interest on long-term liabilities	(126,292)	(7,973)	1,484.00 %
Total net (expense) revenue	\$ (32,670,520)	\$ (27,773,339)	17.63 %

- Net cost of governmental activities (\$32,670,520 for 2017 and \$27,773,339 for 2016) was financed by general revenue, which is primarily made up of property taxes (\$3,747,025 for 2017 and \$3,121,825 for 2016) and state and federal revenues (\$21,559,984 for 2017 and \$21,526,425 for 2016). In addition, there was \$737,133 and \$543,051 in Sixteenth Section sources for 2017 and 2016, respectively.
- Investment earnings amounted to \$17,447 for 2017 and \$11,051 for 2016.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$7,978,163, an increase of \$3,325,204, which includes a decrease in inventory of \$28,442. \$2,815,438, or 35% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$5,162,725, or 65% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed 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 \$622,355. The fund balance of Other Governmental Funds showed an increase in the amount of \$394,970, which includes a decrease in inventory of \$28,442. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Vocational Fund	\$ (21,139)
2016 Morton Cafeteria Expansion Fund	\$ 1,232,317
2017 Energy Efficiency Project Fund	\$ 2,341,411

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2017, the District's total capital assets were \$29,638,241, including land, construction in progress, school buildings, building improvements and other improvements, buses, other school vehicles, furniture and equipment, and leased property under capital leases. This amount represents a gross increase of \$1,998,759 from 2016, due primarily to the ongoing construction and improvement of school facilities at fiscal year end. Total accumulated depreciation as of June 30, 2017, was \$15,080,629, and total depreciation expense for the year was \$605,607, resulting in total net capital assets of \$14,557,612.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2017	June 30, 2016	Percentage Change
Land	\$ 127,250	\$ 127,250	0 %
Construction in Progress	1,991,217	0	N/A %
Buildings	10,471,142	10,797,211	(3.02) %
Building improvements	424,030	448,767	(5.51) %
Improvements other than buildings	222,281	230,711	(3.65) %
Mobile equipment	857,103	1,008,473	(15.01) %
Furniture and equipment	173,757	178,259	(2.53) %
Leased property under capital leases	290,832	326,688	(10.98) %
Total	\$ 14,557,612	\$ 13,117,359	10.98 %

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 \$5,396,640 in outstanding long-term debt, of which \$321,740 is due within one year. During the fiscal year, the District received proceeds from the issuance of three mill notes in the amount \$1,300,000 and qualified zone academy bonds of \$3,685,353. The District made principal payments totaling \$78,716 on outstanding long-term debt. The liability for compensated absences decreased \$10,604 from the prior year.

Table 5
Outstanding Long-Term Debt

	June 30, 2017	June 30, 2016	Percentage Change
Three mill notes payable	\$ 1,300,000	\$ 0	N/A
Obligations under capital leases	247,248	325,964	(24.15) %
Qualified zone academy bonds payable	3,685,353	0	N/A
Compensated absences payable	164,039	174,643	(6.07) %
Total	\$ 5,396,640	\$ 500,607	978.02 %

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

CURRENT ISSUES

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

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

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

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 Scott County School District, 100 East First Street, Forest, MS 39074.

BASIC FINANCIAL STATEMENTS

This page left blank intentionally.

SCOTT COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2017

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 2,360,945
Due from other governments	742,855
Other receivables, net	9,732
Inventories	22,979
Restricted assets (Note 4)	5,905,486
Non-depreciable capital assets (Note 5)	2,118,467
Depreciable capital assets, net (Note 5)	12,439,145
Total Assets	<u>23,599,609</u>
Deferred Outflows of Resources	
Deferred outflow - pensions (Note 7)	10,146,342
Total Deferred Outflows of Resources	<u>10,146,342</u>
Liabilities	
Accounts payable and accrued liabilities	1,059,319
Interest payable on long-term liabilities	19,673
Other payables	4,515
Long-term liabilities (Due within one year) (Note 6)	
Capital related liabilities	313,538
Non-capital related liabilities	8,202
Long-term liabilities (Due beyond one year) (Note 6)	
Capital related liabilities	4,919,063
Non-capital related liabilities	155,837
Net pension liability (Note 7)	49,812,610
Total Liabilities	<u>56,292,757</u>
Deferred Inflows of Resources	
Deferred inflows - pensions (Note 7)	94,331
Deferred credit on bonds payable (Note 6)	664,647
Total Deferred Inflows of Resources	<u>758,978</u>
Net Position	
Net investment in capital assets	12,234,092
Restricted net position	
Expendable	
School-based activities	892,978
Debt service	201,606
Capital Projects	200,907
Unemployment benefits	83,017
Non-expendable	
Sixteenth section	83,576
Unrestricted	<u>(37,001,960)</u>
Total Net Position	<u>\$ (23,305,784)</u>

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

SCOTT COUNTY SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2017

Exhibit B

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction	\$ 18,048,797	590,554	2,217,611	(15,240,632)
Support services	10,347,563		1,214,666	(9,132,897)
Non-instructional	2,187,029	140,387	2,361,986	315,344
Sixteenth section	78,647	90,478		11,831
Pension expense	8,497,874			(8,497,874)
Interest on long-term liabilities	126,292			(126,292)
Total Governmental Activities	<u>39,286,202</u>	<u>821,419</u>	<u>5,794,263</u>	<u>(32,670,520)</u>
General Revenues				
Taxes				
General purpose levies 3,508,132				
Debt purpose levies 238,893				
Unrestricted grants and contributions				
State 21,169,526				
Federal 390,458				
Unrestricted investment earnings 17,447				
Sixteenth section sources 737,133				
Other 270,245				
Total General Revenues <u>26,331,834</u>				
Changes in Net Position <u>(6,338,686)</u>				
Net Position - Beginning , as previously reported (16,957,170)				
Prior Period Adjustments (Note 9) (9,928)				
Net Position - Beginning - as restated <u>(16,967,098)</u>				
Net Position - Ending \$ <u>(23,305,784)</u>				

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

SCOTT COUNTY SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2017

Exhibit C

	Major Funds					
	General Fund	Vocational Fund	2016 Morton Cafeteria Expansion Fund	2017 Energy Efficiency Project Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents (Note 2)	\$ 2,360,945	2,487	1,257,418		1,500,009	5,120,859
Cash with fiscal agent (Note 2)				3,143,114	2,458	3,145,572
Due from other governments	332,986	187,397			221,643	742,026
Other receivables, net	9,732					9,732
Due from other funds (Note 3)	325,551					325,551
Inventories					22,979	22,979
Total Assets	3,029,214	189,884	1,257,418	3,143,114	1,747,089	9,366,719
Liabilities and Fund Balances						
Liabilities						
Accounts payable & accrued liabilities	106,536	5,999	25,101	801,703	119,980	1,059,319
Due to other funds (Note 3)		183,885			140,837	324,722
Other payables					4,515	4,515
Total Liabilities	106,536	189,884	25,101	801,703	265,332	1,388,556
Fund Balances						
Nonspendable						
Inventory					22,979	22,979
Permanent fund principal					83,576	83,576
Restricted						
Debt service					221,279	221,279
Capital projects			1,232,317	2,341,411		3,573,728
Forestry improvements					200,907	200,907
Unemployment benefits					83,017	83,017
Grant activities					869,999	869,999
Assigned						
Capital improvements	3					3
Student activity	107,237					107,237
Unassigned	2,815,438					2,815,438
Total Fund Balances	2,922,678	0	1,232,317	2,341,411	1,481,757	7,978,163
Total Liabilities and Fund Balances	\$ 3,029,214	189,884	1,257,418	3,143,114	1,747,089	9,366,719

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

SCOTT COUNTY SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2017

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 7,978,163

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

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

Land	127,250	
Construction in progress	1,991,217	
Buildings	20,073,919	
Building improvements	616,659	
Improvement other than buildings	814,763	
Mobile equipment	4,593,563	
Furniture and equipment	1,022,470	
Leased property under capital lease	398,400	
Accumulated depreciation	<u>(15,080,629)</u>	14,557,612

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

Net pension liability	(49,812,610)
-----------------------	--------------

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	10,146,342	
Deferred inflows of resources related to pensions	<u>(94,331)</u>	10,052,011

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 zone academy bonds	(3,685,353)	
Three mill notes	(1,300,000)	
Capital lease obligations	(247,248)	
Compensated absences	(164,039)	
Deferred credit on bonds payable	(664,647)	
Accrued interest payable	<u>(19,673)</u>	(6,080,960)

Total Net Position - Governmental Activities	<u>\$ (23,305,784)</u>
--	------------------------

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

SCOTT COUNTY SCHOOL DISTRICT

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

For the Year Ended June 30, 2017

Exhibit D

	Major Funds					
	General Fund	Vocational Fund	2016 Morton Cafeteria Expansion Fund	2017 Energy Efficiency Project Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Local sources	\$ 3,734,983	438,451	1,945		384,292	4,559,671
Intermediate sources					200,000	200,000
State sources	21,081,489	623,277			267,633	21,972,399
Federal sources	390,458	64,587			4,926,801	5,381,846
Sixteenth section sources	742,443				91,157	833,600
Total Revenues	25,949,373	1,126,315	1,945	0	5,869,883	32,947,516
Expenditures						
Instruction	16,944,273	858,715			1,724,878	19,527,866
Support services	9,615,259	291,465			1,099,721	11,006,445
Noninstructional services					2,448,635	2,448,635
Sixteenth section	30,187				48,460	78,647
Facilities acquisition and construction			69,628	1,921,589		1,991,217
Debt service						
Principal (Note 6)	78,716					78,716
Interest	7,543					7,543
Other					104,801	104,801
Total Expenditures	26,675,978	1,150,180	69,628	1,921,589	5,426,495	35,243,870
Excess (Deficiency) of Revenues Over (Under) Expenditures	(726,605)	(23,865)	(67,683)	(1,921,589)	443,388	(2,296,354)
Other Financing Sources (Uses)						
Proceeds of loans (Note 6)			1,300,000	4,263,000	87,000	5,650,000
Operating transfers in (Note 3)	145,865	2,726			38,889	187,480
Operating transfers out (Note 3)	(41,615)				(145,865)	(187,480)
Total Other Financing Sources (Uses)	104,250	2,726	1,300,000	4,263,000	(19,976)	5,650,000
Net Change in Fund Balances	(622,355)	(21,139)	1,232,317	2,341,411	423,412	3,353,646
Fund Balances						
July 1, 2016	3,545,033	21,139	0	0	1,086,787	4,652,959
Decrease in reserve for inventory					(28,442)	(28,442)
June 30, 2017	\$ 2,922,678	0	1,232,317	2,341,411	1,481,757	7,978,163

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

SCOTT COUNTY SCHOOL DISTRICT

Exhibit D-1

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

	<u>Amount</u>	
Net Change in Fund Balance - Governmental Funds		\$ 3,353,646
Amounts reported for governmental activities in the Statement of Activities are different because:		
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, those amounts are:		
Capital outlay	2,056,828	
Depreciation expense	<u>(605,607)</u>	1,451,221
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 asset sold.		
		(1,040)
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:		
Bonds and notes issued	(5,650,000)	
Payments of debt principal	78,716	
Accrued interest payable	<u>(13,950)</u>	(5,585,234)
Reconciling items applicable to pension liability and related accounts:		
Pension contributions made subsequent to the measurement date	2,958,433	
Pension expense for the current year	<u>(8,497,874)</u>	(5,539,441)
Some items reported in the Statement of Activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. These activities include:		
Change in compensated absences	10,604	
Change in inventory reserve	<u>(28,442)</u>	(17,838)
Changes in Net Position of Governmental Activities		<u>\$ (6,338,686)</u>

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

SCOTT COUNTY SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2017

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents (Note 2)	<u>\$ 1,208,171</u>
Total Assets	<u><u>1,208,171</u></u>
Liabilities	
Accounts payable and accrued liabilities	1,033,363
Due to other funds (Note 3)	829
Due to student clubs	<u>173,979</u>
Total Liabilities	<u><u>\$ 1,208,171</u></u>

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

This page left blank intentionally.

SCOTT COUNTY 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 a "primary government." The school district is governed by a five member board to which each member is elected by the citizens of each defined county district.

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

Blended component unit

The Scott County Schools Leasing Authority ("the Authority") as explained in the following paragraph is considered to be a blended component unit as determined by Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* and is included in the district's reporting entity.

The Authority is governed by a five member board which is appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, fund balances, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see Note 13).

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

SCOTT COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2017

given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

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

The school district reports the following major governmental funds:

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

Vocational Fund - This is a special revenue fund that accounts for the local, state and federal revenue received and expenditures incurred related to the District's vocational education program.

2016 Morton Cafeteria Expansion Fund - This is a capital projects fund that accounts for the proceeds from three mill notes and the expenditures incurred for the expansion of the Morton Cafeteria.

2017 Energy Efficiency Project Fund - This is a capital projects fund that accounts for the proceeds from qualified zone academy bonds and the expenditures incurred for energy efficiency improvements at various school facilities.

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 school district also reports fiduciary funds which focus on assets and liabilities only. The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund is used as a clearing fund for payroll type transactions.

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

Accounts Payable Clearing Fund - This fund is used as a clearing fund for accounts payable type transactions.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

Capital Projects Funds - Capital 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.

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

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

FIDUCIARY FUNDS

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

SCOTT COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2017

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

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

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

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

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

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

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

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

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

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

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

D. Encumbrances

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

E. Assets, liabilities, deferred outflows/inflows, and net position/fund balances

1. Cash, Cash equivalents and Investments

SCOTT COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2017

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.

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. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund. The unspent proceeds of long-term debt would also be classified as restricted assets.

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

SCOTT COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2017

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
Construction in progress	0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

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

7. Deferred outflows/inflows of resources

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

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

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.

SCOTT COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2017

9. Long-term Liabilities

In the government-wide financial statements, outstanding debt is reported as liabilities. The governmental fund financial statements recognize the proceeds of debt as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for details.

10. Pensions

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

11. Fund Balances

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is a resolution approved by the 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 school district.

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

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of not less than 10% of general 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.

SCOTT COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2017

Note 2 – Cash and Cash Equivalents and Cash with Fiscal Agents

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

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of 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 \$5,120,859 and \$1,208,171, respectively. The carrying amount of deposits reported in the government-wide financial statements consists of cash and cash equivalents of \$2,360,945 and a portion of restricted assets in the amount of \$2,759,914 (see Note 4).

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 \$8,078,269 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$3,145,572.

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	Vocational Fund	\$ 183,885
	Other governmental funds	140,837
	Fiduciary funds	829
Total		<u>\$ 325,551</u>

SCOTT COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2017

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

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Vocational Fund	\$ 2,726
	Other governmental funds	38,889
Other governmental funds	General Fund	145,865
Total		<u>\$ 187,480</u>

The primary purpose of the interfund transfers was to transfer funds to various other governmental funds for operating purposes and to transfer indirect costs to the General Fund. These transfers were consistent with the activities of the fund making the transfer.

Note 4 – Restricted Assets

The restricted assets represent the cash balance and cash with fiscal agent balance, totaling \$2,759,914 and \$3,145,572, respectively, which are legally restricted (i.e., 16th Section Principal Fund, Debt Service Funds, unspent debt proceeds in Capital Project Funds, and similar type funds) and may not be used for purposes that support the district's programs.

Note 5 – Capital Assets

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

	Balance 7/1/2016	Increases	Decreases	Adjustments	Balance 6/30/2017
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 127,250				127,250
Construction-in-progress		1,991,217			1,991,217
Total non-depreciable capital assets	127,250	1,991,217	0	0	2,118,467
<u>Depreciable capital assets:</u>					
Buildings	20,073,919				20,073,919
Building improvements	616,659				616,659
Improvements other than buildings	814,763				814,763
Mobile equipment	4,599,613		6,050		4,593,563
Furniture and equipment	1,008,878	65,611	43,560	(8,459)	1,022,470
Leased property under capital leases	398,400				398,400
Total depreciable capital assets	27,512,232	65,611	49,610	(8,459)	27,519,774
<u>Less accumulated depreciation for:</u>					
Buildings	9,276,708	326,069			9,602,777
Building improvements	167,892	24,737			192,629
Improvements other than buildings	584,052	8,430			592,482
Mobile equipment	3,591,140	147,577	5,445	3,188	3,736,460
Furniture and equipment	830,619	62,938	43,125	(1,719)	848,713
Leased property under capital leases	71,712	35,856			107,568
Total accumulated depreciation	14,522,123	605,607	48,570	1,469	15,080,629
Total depreciable capital assets, net	12,990,109	(539,996)	1,040	(9,928)	12,439,145
Governmental activities capital assets, net	\$ 13,117,359	1,451,221	1,040	(9,928)	14,557,612

SCOTT COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2017

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 310,012
Support services	237,258
Non-instructional	58,337
Total depreciation expense - Governmental activities	<u>\$ 605,607</u>

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

	Spent to June 30, 2017	Remaining Commitment
Governmental Activities:		
Morton Cafeteria Expansion Project	\$ 69,628	0
Energy Efficiency Project	1,921,589	2,245,415
Total construction in progress	<u>\$ 1,991,217</u>	<u>2,245,415</u>

The remaining commitment on the Morton Cafeteria Expansion Project could not be determined because a construction project had not been approved at fiscal year end. Only architect fees had been incurred.

Construction projects included in governmental activities are funded with proceeds from three mill notes and qualified zone academy bonds.

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. Three mill notes payable	\$	1,300,000		1,300,000	233,000
B. Obligations under capital leases	325,964		78,716	247,248	80,538
C. Qualified zone academy bonds payable		3,685,353 *		3,685,353	0
D. Compensated absences payable	174,643		10,604	164,039	8,202
Total	<u>\$ 500,607</u>	<u>4,985,353</u>	<u>89,320</u>	<u>5,396,640</u>	<u>321,740</u>

* Upon the issuance of \$4,350,000 in interest free Quality Zone Academy Bonds, the district incurred a deferred credit on bonds payable in the amount of \$664,647. The deferred credit is based on imputed interest at a rate of 2.025%. This deferred credit is reported on Statement of Net Assets and as such will be amortized over the life of the bonds using the straight line method at an annual cost of \$41,540.

A. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Note, Series 2016	1.0%-2.4%	10/21/2016	10/21/2026	\$ 1,300,000	1,300,000

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

SCOTT COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2017

Year Ending June 30	Principal	Interest	Total
2018	\$ 233,000	22,206	255,206
2019	238,000	19,875	257,875
2020	93,000	16,901	109,901
2021	95,000	15,505	110,505
2022	99,000	13,843	112,843
2023 – 2027	542,000	37,806	579,806
Total	\$ 1,300,000	126,136	1,426,136

This debt will be retired from the 2016-17 Three Mill Note Fund (Debt Service Fund).

B. Obligations under capital leases

The school district has entered into a lease agreement as lessee for financing the acquisition of school buses at a cost of \$402,900. This lease qualifies as a capital lease for accounting purposes.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
BancorpSouth Equipment Finance, Series 2014	2.29%	9/26/2014	9/26/2019	\$ 402,900	247,248

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2018	\$ 80,538	5,722	86,260
2019	82,402	3,858	86,260
2020	84,308	1,951	86,259
Total	\$ 247,248	11,531	258,779

This debt will be retired from the District Maintenance Fund (General Fund).

C. Qualified zone academy bonds payable

As more fully explained in Note 12, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified Zone Academy Bonds, Series 2017	0.00%	4/14/2017	4/14/2033	\$ 3,685,353	3,685,353

SCOTT COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2017

D. Compensated absences payable

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

Note 7 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS 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 \$2,958,433, \$2,809,770 and \$2,632,839, 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 \$49,812,610 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2017 net pension liability was 0.278867 percent, which was based on a measurement date of June 30, 2016. This was an increase of 0.008867 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 \$8,497,874. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

SCOTT COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2017

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 990,152	0
Net difference between projected and actual earnings on pension plan investments	2,699,647	0
Changes of assumptions	1,673,481	94,331
Changes in proportion and differences between District contributions and proportionate share of contributions	1,824,629	0
District contributions subsequent to the measurement date	2,958,433	0
Total	<u>\$ 10,146,342</u>	<u>94,331</u>

\$2,958,433 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	\$ 2,367,262
2019	2,367,262
2020	1,684,142
2021	674,912

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

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

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

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

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

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

SCOTT COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2017

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1	(0.50)
Total	100 %	

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

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

	<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	\$ 63,870,934	\$ 49,812,610	\$ 38,148,757

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

Note 8 -- Sixteenth Section Lands

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

<u>Year Ending June 30</u>	<u>Amount</u>
2018	\$ 154,666
2019	147,942
2020	139,618
2021	129,974
2022	122,807
2023 - 2027	609,790
2028 - 2032	465,657
2033 - 2037	304,593
2038 - 2042	143,285
Thereafter	123,105
Total	<u>\$ 2,341,437</u>

SCOTT COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2017

Note 9 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
To correct prior year cost and accumulated depreciation for various capital asset groups	\$ (9,928)
Total	<u>\$ (9,928)</u>

Note 10 – Contingencies

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

Note 11 – 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

Workers' Compensation Trust

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.

Property Trust

The school district is a member of the Mississippi School Boards Association Property Trust (MSBAPT). The Trust is a risk sharing pool; such a pool is frequently referred to as a self-insurance pool. The Trust consist of approximately 39 school districts and covers losses associated with property damage to the physical assets (property and automobiles) owned by the member districts as well as Crime and Cyber coverage. An indemnity agreement is executed by each member in the Trust for the purposes of jointly and severally binding the pool and each of the members/districts to meet the financial obligations of each member. Each member of the Trust contributes quarterly to a fund held in trust by Amegy Bank, Houston, TX. The funds in the trust account are used to pay any claim up to \$150,000 per occurrence for property losses and \$100,000 per occurrence for automobile physical damage losses. For a claim/occurrence exceeding the \$150,000 and \$100,000 respectively, the Trust has secured excess insurance. 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.

Casualty Trust

The school district is a member of the Mississippi School Boards Association Casualty Trust (MSBACT). The Trust is a risk sharing

SCOTT COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2017

pool; such a pool is frequently referred to as a self-insurance pool. The Trust consist of approximately 39 school districts and covers losses associated with liability related claims (General Liability, Automobile Liability, School Board Legal Liability and Employment Practices). An indemnity agreement is executed by each member in the Trust for the purposes of jointly and severally binding the pool and each of the members/districts to meet the financial obligations of each member. Each member of the Trust contributes quarterly to a fund held in trust by Amegy Bank, Houston, TX. The funds in the trust account are used to pay any claim up to \$150,000 per occurrence. For a claim/occurrence exceeding \$150,000 the Trust has secured excess insurance. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies.

Note 12 – Qualified Zone Academy Bonds

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with Trustmark Bank, has entered into such an arrangement dated April 14, 2017.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before March 15. The amount on deposit at June 30, 2017 was \$0. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2018	\$ 95,000
2019	200,000
2020	255,000
2021	260,000
2022	270,000
Thereafter	3,270,000
Total	<u>\$ 4,350,000</u>

Note 13 – Trust Certificates

A trust agreement dated April 14, 2017, was executed by and between the school district and the Trustmark National Bank, as trustees.

The trust agreement authorized the issuance of trust certificates (Qualified Zone Academy Bonds) in the amount of \$4,350,000. Approximately \$4,263,000 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$87,000 was used to pay the cost of issuance.

The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, et seq., Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates. It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district.

Using the guidance provided in Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, equity, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

SCOTT COUNTY SCHOOL DISTRICT

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

Note 14 – Alternative School Consortium

The school district entered into an Alternative School Agreement dated April 12, 1994, creating the consortium. This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the Scott County School District, Newton Municipal School District and Newton County School District.

Section 37-13-92 (6), Miss. Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead district will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

The Newton County School District has been designated as the lead school district for the consortium and the operations of the consortium are included in its financial statements.

Note 15 – Vocational School Consortium

The school district entered into a Vocational Educational Agreement dated April 16, 1994, creating the Forest Scott County Career and Technology Center. This center was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The center includes the Scott County School District and the Forest Municipal 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 Scott County School District has been designated as the fiscal agent for the Forest Scott County Career and Technology Center and the operations of the center are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balances is presented to detail the financial activity of the Forest Scott County Career and Technology Center.

SCOTT COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

For Year Ended June 30, 2017

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds For the Year Ended June 30, 2017

Revenues

Local sources:	
Tuition from other LEA's within the state:	
Forest Municipal School District	\$ 176,470
Total tuition from other LEA's within the state	176,470
Ad Valorem	261,981
Total local sources	438,451
State sources	623,277
Federal sources	64,587
Total Revenues	1,126,315

Expenditures

Salaries	734,401
Employee benefits	243,082
Purchased property services	33,446
Other purchased services	28,086
Supplies	46,792
Property	61,348
Other	3,025
Total Expenditures	1,150,180
Excess (Deficiency) of Revenues Over (Under) Expenditures	(23,865)

Other Financing Sources/Uses:

Transfers in	2,726
Total Other Financing Sources/Uses	2,726
Net Change in Fund Balance	(21,139)

Fund Balance:

July 1, 2016	21,139
June 30, 2017	\$ 0

Note 16 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$37,001,960) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$10,146,342 balance of the deferred outflow of resources at June 30, 2017 will be recognized as expenses and decrease unrestricted net position over the remaining 4 years. The \$94,331 balance of the deferred inflow of resources at June 30, 2017 will be recognized as revenue and increase unrestricted net position over the next 3 years.

The net position in capital assets of \$12,234,092 includes the effect of deferring the recognition of revenue from the deferred credit on bonds payable that resulted from the issuance of 0% Qualified Zone Academy Bonds considering the effect of imputed interest at 2.025%. The \$664,647 balance of the deferred inflow of resources at June 30, 2017 will be recognized as revenue and increase net position in capital assets over the life of the debt.

Note 17 - 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 School District evaluated the activity of the district through March 8, 2018, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

This page left blank intentionally.

REQUIRED SUPPLEMENTARY INFORMATION

This page left blank intentionally.

SCOTT COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule for the General Fund
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 3,699,244	3,734,983	3,734,983	35,739	0
State sources	21,173,321	21,081,489	21,081,489	(91,832)	0
Federal sources	230,000	390,458	390,458	160,458	0
Sixteenth section sources	534,000	742,443	742,443	208,443	0
Total Revenues	<u>25,636,565</u>	<u>25,949,373</u>	<u>25,949,373</u>	<u>312,808</u>	<u>0</u>
Expenditures					
Instruction	16,577,044	16,929,772	16,944,273	(352,728)	(14,501)
Support services	9,115,754	9,615,259	9,615,259	(499,505)	0
Sixteenth section	37,000	30,187	30,187	6,813	0
Debt service					
Principal	78,716	88,716	78,716	(10,000)	10,000
Interest	7,543	7,543	7,543	0	0
Total Expenditures	<u>25,816,057</u>	<u>26,671,477</u>	<u>26,675,978</u>	<u>(855,420)</u>	<u>(4,501)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(179,492)</u>	<u>(722,104)</u>	<u>(726,605)</u>	<u>(542,612)</u>	<u>(4,501)</u>
Other Financing Sources (Uses)					
Operating transfers in	3,452,362	3,731,632	145,865	279,270	(3,585,767)
Operating transfers out	(3,394,758)	(3,627,382)	(41,615)	(232,624)	3,585,767
Total Other Financing Sources (Uses)	<u>57,604</u>	<u>104,250</u>	<u>104,250</u>	<u>46,646</u>	<u>0</u>
Net Change in Fund Balances			<u>(622,355)</u>		
Fund Balances					
July 1, 2016			<u>3,545,033</u>		
June 30, 2017			<u>\$ 2,922,678</u>		

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

SCOTT COUNTY SCHOOL DISTRICT

Budgetary Comparison Schedule for the Major Special Revenue Fund - Vocational Fund

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues					
Local sources	\$ 453,896	438,451	438,451	(15,445)	0
State sources	684,694	623,277	623,277	(61,417)	0
Federal sources	77,664	64,587	64,587	(13,077)	0
Total Revenues	<u>1,216,254</u>	<u>1,126,315</u>	<u>1,126,315</u>	<u>(89,939)</u>	<u>0</u>
Expenditures					
Instruction	913,545	858,715	858,715	54,830	0
Support services	330,436	291,465	291,465	38,971	0
Total Expenditures	<u>1,243,981</u>	<u>1,150,180</u>	<u>1,150,180</u>	<u>93,801</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(27,727)</u>	<u>(23,865)</u>	<u>(23,865)</u>	<u>3,862</u>	<u>0</u>
Other Financing Sources (Uses)					
Operating transfers in	27,727	2,726	2,726	(25,001)	0
Total Other Financing Sources (Uses)	<u>27,727</u>	<u>2,726</u>	<u>2,726</u>	<u>(25,001)</u>	<u>0</u>
Net Change in Fund Balances			<u>(21,139)</u>		
Fund Balances					
July 1, 2016			<u>21,139</u>		
June 30, 2017			<u>\$ 0</u>		

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

SCOTT COUNTY SCHOOL DISTRICT

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

PERS

Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.278867%	0.27%	0.26%
District's proportionate share of the net pension liability (asset)	<u>\$ 49,812,610</u>	<u>41,736,676</u>	<u>31,559,239</u>
District's covered payroll	<u>\$ 17,839,796</u>	<u>16,716,420</u>	<u>15,887,962</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>279.22%</u>	<u>249.67%</u>	<u>198.64%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>57.47%</u>	<u>61.70%</u>	<u>67.21%</u>

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 the 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.

SCOTT COUNTY SCHOOL DISTRICT
Schedule of District Contributions
PERS
Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,958,433	2,809,770	2,632,839
Contributions in relation to the contractually required contribution	2,958,433	2,809,770	2,632,839
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>
District's covered payroll	\$ 18,783,695	17,839,796	16,716,420
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 the 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.

SCOTT COUNTY SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2017

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) 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%.

(2) Changes in benefit provisions

2016:

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

This page left blank intentionally.

SUPPLEMENTARY INFORMATION

This page left blank intentionally.

SCOTT COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 783,989
National school lunch program	10.555	1,820,232
Total child nutrition cluster		2,604,221
Total passed-through Mississippi Department of Education		2,604,221
Passed-through Scott County Board of Supervisors		
Schools and roads - grants to states		73,537
Total passed-through Scott County Board of Supervisors	10.665	73,537
Total U.S. Department of Agriculture		2,677,758
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I - grants to local educational agencies	84.010	1,500,149
Career and technical education - basic grants to states	84.048	64,587
Rural education	84.358	94,750
English language acquisition grants	84.365	39,091
Supporting effective instruction - state grants	84.367	125,195
Total		1,823,772
Special education cluster:		
Special education - grants to states	84.027	683,704
Special education - preschool grants	84.173	23,694
Total special education cluster		707,398
Total passed-through Mississippi Department of Education		2,531,170
Total U.S. Department of Education		2,531,170
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	67,747
Total passed-through Mississippi Department of Education		67,747
Total U.S. Department of Health and Human Services		67,747
Total for All Federal Awards		\$ 5,276,675

The notes to the Supplementary Information are an integral part of this schedule.

SCOTT COUNTY SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

(1) Basis of Presentation

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

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) Indirect Cost Rate

The School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

SCOTT COUNTY SCHOOL DISTRICT

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 Administrative</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 25,838,897	19,542,056	1,141,072	1,995,681	3,160,088
Other	9,404,973	2,778,545	864,790	21,239	5,740,399
Total	<u>35,243,870</u>	<u>22,320,601</u>	<u>2,005,862</u>	<u>2,016,920</u>	<u>8,900,487</u>
Total number of students	<u>3,752</u>				
Cost per student	<u>\$ 9,394</u>	<u>5,949</u>	<u>535</u>	<u>538</u>	<u>2,372</u>

Notes to the schedule.

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.

Total number of students - the ADA report submission for month 9, which is the final submission for the fiscal year.

This page left blank intentionally.

OTHER INFORMATION

This page left blank intentionally.

SCOTT COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years

	UNAUDITED			
	2017	2016*	2015*	2014*
Revenues				
Local sources	\$ 3,734,983	3,410,782	3,097,124	2,870,507
State sources	21,081,489	20,703,426	19,375,735	18,833,216
Federal sources	390,458	629,877	331,976	413,810
Sixteenth section sources	742,443	545,033	501,136	0
Total Revenues	<u>25,949,373</u>	<u>25,289,118</u>	<u>23,305,971</u>	<u>22,117,533</u>
Expenditures				
Instruction	16,944,273	16,000,890	15,258,814	15,296,712
Support services	9,615,259	9,202,499	8,879,298	8,643,204
Noninstructional services	0	0	0	120
Sixteenth section	30,187	36,473	60,398	0
Debt service				
Principal	78,716	76,936	0	0
Interest	7,543	9,324	0	0
Total Expenditures	<u>26,675,978</u>	<u>25,326,122</u>	<u>24,198,510</u>	<u>23,940,036</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(726,605)</u>	<u>(37,004)</u>	<u>(892,539)</u>	<u>(1,822,503)</u>
Other Financing Sources (Uses)				
Inception of capital leases	0		402,900	0
Operating transfers in	145,865	97,760	112,907	820,962
Other financing sources	0	0	0	14,220
Operating transfers out	(41,615)	(121,821)	(178,929)	(64,451)
Other financing uses	0	0	0	(275,493)
Total Other Financing Sources (Uses)	<u>104,250</u>	<u>(24,061)</u>	<u>336,878</u>	<u>495,238</u>
Net Change in Fund Balances	<u>(622,355)</u>	<u>(61,065)</u>	<u>(555,661)</u>	<u>(1,327,265)</u>
Fund Balances				
Beginning of period, as previously reported	3,545,033	3,606,098	1,883,136	3,189,147
Prior period adjustments	0	0	(16,126)	21,254
Fund balance reclassification	0	0	2,294,749	0
Beginning of period, as restated	<u>3,545,033</u>	<u>3,606,098</u>	<u>4,161,759</u>	<u>3,210,401</u>
End of period	<u>\$ 2,922,678</u>	<u>3,545,033</u>	<u>3,606,098</u>	<u>1,883,136</u>

* Source - Prior year audit reports.

SCOTT COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2017	2016*	2015*	2014*
Revenues				
Local sources	\$ 4,559,671	3,954,691	3,916,955	3,667,435
Intermediate sources	200,000	0	0	0
State sources	21,972,399	21,655,959	20,231,378	19,693,036
Federal sources	5,381,846	5,813,545	5,765,205	4,588,070
Sixteenth section sources	833,600	608,025	545,293	391,317
Total Revenues	32,947,516	32,032,220	30,458,831	28,339,858
Expenditures				
Instruction	19,527,866	18,687,164	18,255,998	17,445,031
Support services	11,006,445	10,735,550	10,439,776	9,891,233
Noninstructional services	2,448,635	2,575,282	2,516,238	2,298,541
Sixteenth section	78,647	89,078	102,722	30,599
Facilities acquisition and construction	1,991,217	0	0	0
Debt service				
Principal	78,716	76,936	0	0
Interest	7,543	9,324	0	0
Other	104,801	0	0	0
Total Expenditures	35,243,870	32,173,334	31,314,734	29,665,404
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,296,354)	(141,114)	(855,903)	(1,325,546)
Other Financing Sources (Uses)				
Proceeds of loans	5,650,000	0	0	0
Inception of capital leases	0	0	402,900	0
Operating transfers in	187,480	219,581	291,836	885,413
Other financing sources	0	0	0	14,220
Operating transfers out	(187,480)	(219,581)	(291,836)	(885,413)
Other financing uses	0	0	0	(293,160)
Total Other Financing Sources (Uses)	5,650,000	0	402,900	(278,940)
Net Change in Fund Balances	3,353,646	(141,114)	(453,003)	(1,604,486)
Fund Balances				
Beginning of period, as previously reported	4,652,959	4,769,577	5,252,295	6,840,005
Prior period adjustments	0	0	(9,400)	11,506
Beginning of period, as restated	4,652,959	4,769,577	5,242,895	6,851,511
Increase (Decrease) in reserve for inventory	(28,442)	24,496	(20,315)	5,270
End of period	\$ 7,978,163	4,652,959	4,769,577	5,252,295

* Source - Prior year audit reports.

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

This page left blank intentionally.

CHARLES L. SHIVERS, CPA, LLC

Certified Public Accountant

Post Office Box 2775
Ridgeland, MS 39158

Phone: 601.941.6649
Email: clscpa@bellsouth.net

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*

Independent Auditor's Report

Superintendent and School Board
Scott County School District

I 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 Scott County School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Scott County School District's basic financial statements, and have issued my report thereon dated March 8, 2018.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Scott County 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Scott County School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Scott County School District's internal control.

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that I consider to be significant deficiencies. [2017-001 and 2017-002].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Scott County School District's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Scott County School District's Response to Findings

Scott County School District's responses to the findings identified in my audit are described in the accompanying Auditee's Corrective Action Plan. Scott County School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

Charles L Shivers

Charles L. Shivers, CPA, LLC
Ridgeland, MS
March 8, 2018

CHARLES L. SHIVERS, CPA, LLC

Certified Public Accountant

Post Office Box 2775
Ridgeland, MS 39158

Phone: 601.941.6649
Email: clscpa@bellsouth.net

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

Independent Auditor's Report

Superintendent and School Board
Scott County School District

Report on Compliance for Each Major Federal Program

I have audited Scott County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Scott County School District's major federal programs for the year ended June 30, 2017. Scott County School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Scott County School District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of Scott County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of

compliance, I considered Scott County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Scott County 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.

My consideration of 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. I did not identify any deficiencies in internal control over compliance that I 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 my 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.

Charles L Shivers

Charles L. Shivers, CPA, LLC
Ridgeland, MS
March 8, 2018

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

This page left blank intentionally.

CHARLES L. SHIVERS, CPA, LLC

Certified Public Accountant

Post Office Box 2775
Ridgeland, MS 39158

Phone: 601.941.6649
Email: clscpa@bellsouth.net

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

Superintendent and School Board
Scott County School District

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Scott County School District as of and for the year ended June 30, 2017, which collectively comprise Scott County School District's basic financial statements and have issued my report thereon dated March 8, 2018. I conducted my 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 insure 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, I 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 my audit and, accordingly, I do not express such an opinion.

The results of my 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 insure 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 my 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, I 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 my audit and, accordingly, I do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and my audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. My finding and recommendation and Scott County School District's response are as follows:

CONDITION: In June 2014, the school board selected depositories for a period of three years. Only one bank submitted a bid. However, the school board subsequently approved and continued to use four other financial institutions that had not originally submitted bids for school depositories.

CRITERIA: Section 37-7-333, Miss. Code of 1972 seems to imply that only the financial institutions that submit bids may be accepted by the school board and act in the capacity of school depositories.

CAUSE OF CONDITION: The cause of the condition is an oversight in not acquiring bids from the four financial institutions.

POTENTIAL EFFECT OF CONDITION: The condition appears to result in noncompliance with state law.

RECOMMENDATION: It is recommended that management seek and solicit bids for depositories when it is advantageous to the district to have a local bank as a depository.

RESPONSE: The district plans to solicit bids for school depositories according to Section 37-7-333, Miss. Code of 1972.

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

The Scott County School District's response to the finding included in this report was not audited and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, 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.

Charles L Shivers

Charles L. Shivers, CPA, LLC
Ridgeland, MS
March 8, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

This page left blank intentionally.

SCOTT COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
June 30, 2017

Section I: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|------------|
| 1. | Type of auditor's report issued on the basic financial statements: | Unmodified |
| 2. | Noncompliance material to the basic financial statements noted? | No |
| 3. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that are not considered to be material weaknesses? | Yes |

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unmodified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that are not considered to be material weaknesses? | None Reported |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 7. | Federal program identified as major program: | |
| | Child nutrition cluster | |
| | CFDA #: 10.553 | |
| | CFDA #: 10.555 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. | Auditee qualified as a low-risk auditee? | Yes |

Section II: Financial Statement Findings

Significant deficiencies identified that are not considered to be material weaknesses.

Finding 2017-001

CONDITION: A high school bookkeeper performed all duties regarding the receipt of activity funds (receipted the funds, entered data into the remote link accounting system, prepared the deposit slip and made the deposit).

CRITERIA: A well designed system of accounting controls for the receipt of activity funds would be such that no one individual performs all aspects of the transaction from beginning to end.

CAUSE OF CONDITION: The cause of the condition is the result of a limited staff at this location.

POTENTIAL EFFECT OF CONDITION: This situation could result in errors occurring in receipt of activity fund transactions (posting, deposits, etc.) and those errors not being prevented or detected.

RECOMMENDATION: It is recommended that the duties of receipting activity funds be segregated to the extent possible such that no one individual performs all aspects of the transaction from beginning to end.

Finding 2017-002

CONDITION: The annual inventory of capital assets did not include the assets located at one high school. Upon inspecting the annual inventory at another high school it was noted that the principal failed to sign the majority of the inventory listings by classroom.

SCOTT COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
June 30, 2017

CRITERIA: The annual inventory of capital assets and highly walkable items should include all locations of the school district and be signed off (approved) by the principal as indicated on the inventory form.

CAUSE OF CONDITION: The cause of the condition was a failure to implement the accounting controls.

POTENTIAL EFFECT OF CONDITION: The condition could result in capital assets and/or highly walkable items being lost or misplaced and the physical inventory not reconciling to the accounting records.

RECOMMENDATION: It is recommended that the annual inventory be conducted at all locations of the school district and be properly approved by the principal as required by the inventory form.

Section III: Federal Award Findings and Questioned Costs

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

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

This page left blank intentionally.

SCOTT COUNTY SCHOOLS

Dr. Tony McGee, Superintendent
Chad Harrison, Assistant Superintendent
Dr. John Mark Cain, Deputy Superintendent

Courthouse Annex
110 Commerce Loop
Forest, MS 39074
Telephone: 601-469-3861
Fax: 601-469-3874
www.scott.k12.ms.us

Corrective Action Plan

March 8, 2018

As required by 2 CFR 200.511 (a), the Scott County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2017.

Finding 2017-001

Corrective Action Plan

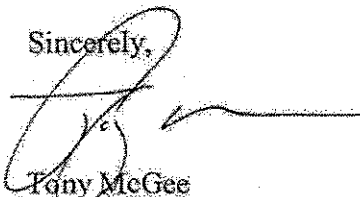
- a. Contact person responsible for corrective action: Al Ladner
- b. Description of correction action to be taken:
The district will put in place controls to segregate duties involving the receipt and deposit of activity funds.
- c. Anticipated completion date of corrective action: July 1, 2018

Finding 2017-002

Corrective Action Plan

- a. Contact person responsible for corrective action: Al Ladner
- b. Description of correction action to be taken:
The district will do an annual inventory of all fixed assets at all locations.
- c. Anticipated completion date of corrective action: June 30, 2018

Sincerely,



Tony McGee
Superintendent of Education

SCOTT COUNTY SCHOOLS

Dr. Tony McGee, Superintendent
Chad Harrison, Assistant Superintendent
Dr. John Mark Cain, Deputy Superintendent

Courthouse Annex
110 Commerce Loop
Forest, MS 39074
Telephone: 601-469-3861
Fax: 601-469-3874
www.scott.k12.ms.us

Summary Schedule of Prior Audit Findings

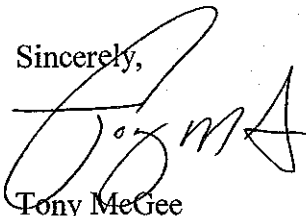
March 8, 2018

Financial and Compliance Audit Division

As required by 2 CFR 200.511(b), the Scott County School District has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of June 30, 2017.

<u>Finding</u>	<u>Status</u>
2016-002	Corrected
2016-003	Corrected

Sincerely,



Tony McGee
Superintendent of Education