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STARKVILLE OKTIBBEHA  
CONSOLIDATED SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2017



STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

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**SUZANNE E. SMITH, CPA, PLLC**  
**AUDITING AND ACCOUNTING SERVICES**  
**sesmithcpa@msn.com**

**INDEPENDENT AUDITOR'S REPORT**

Superintendent and School Board  
Starkville Oktibbeha Consolidated School District

**Report on the Financial Statements**

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

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

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

***Auditor's Responsibility***

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

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

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

***Opinions***

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

**POST OFFICE BOX 102**  
**BRANDON, MISSISSIPPI 39043**  
**PHONE: 601-938-5717**

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 9-16, 59-61, 63, and 65, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

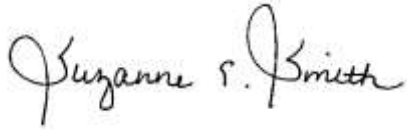
The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated February 5, 2018, on our consideration of the Starkville Oktibbeha Consolidated School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Starkville Oktibbeha Public 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 Starkville Oktibbeha Consolidated School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Suzanne E. Smith". The signature is written in dark ink and is positioned above the printed name.

Suzanne E. Smith, CPA, PLLC  
Brandon, Mississippi  
February 5, 2018

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017

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

## **FINANCIAL HIGHLIGHTS**

- Total net position for 2017 increased \$6,263,229, including a prior period adjustment of \$37,233, which represents a 16% increase from fiscal year 2016. Total net position for 2016 increased \$2,613,858, including consolidation and a prior period adjustment of (\$505,663), which represents a 6% increase from fiscal year 2015.
- General revenues amounted to \$47,551,020 and \$46,844,514, or 74% 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 \$16,369,064, or 26% of total revenues for 2017, and \$12,517,402, or 21% of total revenues for 2016.
- The District had \$57,694,088 and \$56,661,178 in expenses for fiscal years 2017 and 2016; only \$16,369,064 for 2017 and \$12,517,402 for 2016 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$47,551,020 for 2017 and \$46,844,514 for 2016 were adequate to provide for these programs.
- Among major funds, the General Fund had \$43,349,113 in revenues and \$39,693,761 in expenditures for 2017, and \$43,096,230 in revenues and \$40,090,686 in expenditures in 2016. The General Fund's fund balance increased by \$3,818,737, including a prior period adjustment of \$2,216, from 2016 to 2017, and increased by \$3,170,467, including a prior period adjustment of \$11,863, from 2015 to 2016.
- Capital assets, net of accumulated depreciation, increased by \$693,548, including a prior period adjustment of \$37,333, for 2017 and decreased by \$1,308,762, including a prior period adjustment of (\$577,256), for 2016. The increase for 2017 was due to the addition of asset purchases and the in-progress construction of a new Partnership School on the campus of Mississippi State University and other district construction projects.
- Long-term debt, including compensated absences payable and bond premiums, increased by \$13,507,145 for 2017 and decreased by \$4,076,536 for 2016. This increase for 2017 was due primarily to the issuance of general obligation bonds in the amount of \$16,000,000. The liability for compensated absences increased by \$8,180 for 2017 and increased by \$23,413 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

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017

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:



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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 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 \$32,903,549 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.

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT  
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For the Year Ended June 30, 2017

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

**Table 1**  
**Condensed Statement of Net Position**

	June 30, 2017	June 30, 2016	Percentage Change
Current assets	\$ 22,615,156	\$ 14,527,672	55.67 %
Restricted assets	19,767,637	3,404,913	480.56 %
Capital assets, net	39,687,193	38,993,645	1.78 %
<b>Total assets</b>	<b>82,069,986</b>	<b>56,926,230</b>	<b>44.17 %</b>
<b>Deferred outflows of resources</b>	<b>15,843,296</b>	<b>12,672,616</b>	<b>25.02 %</b>
Current liabilities	4,213,078	2,988,908	40.96 %
Long-term debt outstanding	43,921,890	30,414,745	44.41 %
Net pension liability	78,737,887	72,865,588	8.06 %
<b>Total liabilities</b>	<b>126,872,855</b>	<b>106,269,241</b>	<b>19.39 %</b>
<b>Deferred inflows of resources</b>	<b>3,943,976</b>	<b>2,496,383</b>	<b>57.99 %</b>
<b>Net position:</b>			
Net investment in capital assets	13,178,649	9,394,337	40.28 %
Restricted	12,369,627	9,977,845	23.97 %
Unrestricted	(58,451,825)	(58,538,960)	0.15 %
<b>Total net position</b>	<b>\$ (32,903,549)</b>	<b>\$ (39,166,778)</b>	<b>15.99 %</b>

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (58,451,825)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	66,838,567
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 8,386,742</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 \$693,548.
- Issuance of \$16,000,000 of general obligation bonds at a premium of \$258,341.
- The principal retirement of \$2,773,832 of long-term debt.
- Refunding of \$2,175,000 of general obligation bonds.
- Increase in net pension liability in the amount of \$5,872,299.

#### Changes in net position

The District's total revenues for the fiscal years ended June 30, 2017 and June 30, 2016 were \$63,920,084 and \$59,361,916, respectively. The total cost of all programs and services was \$57,694,088 for 2017 and \$56,661,178 for 2016.

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017

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

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

	Year Ended June 30, 2017	Year Ended June 30, 2016	Percentage Change
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 1,844,508	\$ 1,834,901	0.52 %
Operating grants and contributions	9,405,883	10,515,103	(10.55) %
Capital Grants and Contributions	5,118,673	167,398	2,957.79 %
General revenues:			
Property taxes	23,373,873	22,679,325	3.06 %
Grants and contributions not restricted	23,629,947	23,617,057	0.05 %
Investment earnings	14,902	86,374	(82.75) %
Sixteenth section sources	276,080	408,111	(32.35) %
Other	256,218	53,647	377.60 %
<b>Total revenues</b>	<b>63,920,084</b>	<b>59,361,916</b>	<b>7.68 %</b>
<b>Expenses:</b>			
Instruction	24,403,931	26,705,415	(8.62) %
Support services	19,900,282	17,928,689	11.00 %
Non-instructional	4,048,674	4,247,484	(4.68) %
Sixteenth section	61,002	56,834	7.33 %
Pension expense	8,395,645	6,817,065	23.16 %
Interest on long-term liabilities	884,554	905,691	(2.33) %
<b>Total expenses</b>	<b>57,694,088</b>	<b>56,661,178</b>	<b>1.82 %</b>
Special Items	-	418,783	(100.00) %
<b>Increase (Decrease) in net position</b>	<b>6,225,996</b>	<b>3,119,521</b>	<b>99.58 %</b>
<b>Net Position, July 1, as previously reported</b>	<b>(39,166,778)</b>	<b>(41,780,636)</b>	6.26 %
<b>Prior Period Adjustment</b>	<b>37,233</b>	<b>(505,663)</b>	107.36 %
<b>Net Position, July 1, as restated</b>	<b>(39,129,545)</b>	<b>(42,286,299)</b>	7.47 %
<b>Net Position, June 30</b>	<b>\$ (32,903,549)</b>	<b>\$ (39,166,778)</b>	<b>15.99 %</b>

**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.

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT  
Management's Discussion and Analysis  
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**Table 3**  
**Net Cost of Governmental Activities**

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2017</b>	<b>2016</b>	
Instruction	\$ 24,403,931	\$ 26,705,415	(8.62) %
Support services	19,900,282	17,928,689	11.00 %
Non-instructional	4,048,674	4,247,484	(4.68) %
Sixteenth section	61,002	56,834	7.33 %
Pension Expense	8,395,645	6,817,065	23.16 %
Interest on long-term liabilities	884,554	905,691	(2.33) %
<b>Total expenses</b>	<b>\$ 57,694,088</b>	<b>\$ 56,661,178</b>	<b>1.82 %</b>

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2017</b>	<b>2016</b>	
Instruction	\$ (19,917,988)	\$ (21,441,853)	7.11 %
Support services	(12,232,101)	(15,064,398)	18.80 %
Non-instructional	151,879	99,407	52.79 %
Sixteenth section	(57,736)	(14,176)	(307.28) %
Pension Expense	(8,395,645)	(6,817,065)	(23.16) %
Interest on long-term liabilities	(873,433)	(905,691)	3.56 %
<b>Total net (expense) revenue</b>	<b>\$ (41,325,024)</b>	<b>\$ (44,143,776)</b>	<b>6.39 %</b>

- Net cost of governmental activities [(\$41,325,024) for 2017 and (\$44,143,776) for 2016] was financed by general revenue, which is primarily made up of property taxes (\$23,373,873 for 2017 and \$22,679,325 for 2016) and state and federal revenues (\$23,629,947 for 2017 and \$23,617,057 for 2016). In addition, there was \$276,080 and \$408,111 in Sixteenth Section sources for 2017 and 2016, respectively.
- Investment earnings amounted to \$14,902 for 2017 and \$86,374 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 \$38,572,738, an increase of \$23,335,578, which includes a prior period adjustment of (\$100) and a decrease in inventory of \$14,790. \$8,431,845 or 22% 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 \$30,140,893 or 78% 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.

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The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$3,818,737, which includes a prior period adjustment of \$2,216. The fund balance of other governmental funds showed a decrease in the amount of \$1,313,133, which includes a prior period adjustment of (\$2,316) and a decrease in reserve for inventory of \$14,790. This decrease in fund balance of other governmental funds was due primarily to facilities construction expenditures in certain capital projects funds. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
Title I Fund	\$	No change
2017 Construction Fund		15,974,342
Partner School Construction Fund		4,855,632

## BUDGETARY HIGHLIGHTS

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

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2017, the District's total capital assets were \$63,105,095, including land, school buildings, building improvements, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$1,139,002 from 2016, which includes a prior period adjustment of \$95,832. Total accumulated depreciation as of June 30, 2017, was \$23,417,902, and total depreciation expense for the year was \$1,619,567, resulting in total net capital assets of \$39,687,193.

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

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 198,920	198,920	0.00 %
Construction in Progress	1,171,716	-	N/A %
Buildings	29,024,795	29,824,988	(2.68) %
Building improvements	4,218,935	3,839,857	9.87 %
Improvements other than buildings	2,443,075	2,610,407	(6.41) %
Mobile equipment	1,838,476	1,724,135	6.63 %
Furniture and equipment	357,266	290,308	23.06 %
Leased property under capital leases	434,010	505,030	(14.06) %
<b>Total</b>	<b>\$ 39,687,193</b>	<b>\$ 38,993,645</b>	<b>1.78 %</b>

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

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017

**Debt Administration.** At June 30, 2017, the District had \$43,921,890 in outstanding long-term debt, of which \$3,416,258 in principal payments is due within one year. The liability for compensated absences increased \$8,180 from the prior year. The district made principal payments totaling \$2,773,832 for the year and refunded \$2,175,000 in general obligation bonds.

**Table 5  
Outstanding Long-Term Debt**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 30,755,000	\$ 16,240,000	89.38 %
Premiums	238,469	-	N/A %
Limited obligation bonds payable	595,000	995,000	(40.20) %
Premiums	3,309	8,981	(63.16) %
Three mill notes payable	5,790,000	6,525,000	(11.26) %
Obligations under capital leases	295,205	409,037	(27.83) %
Qualified school construction bonds payable	5,780,000	5,780,000	0.00 %
Compensated absences payable	464,907	456,727	1.79 %
<b>Total</b>	<b><u>\$ 43,921,890</u></b>	<b><u>\$ 30,414,745</u></b>	<b>44.41 %</b>

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

## CURRENT ISSUES

The Starkville Oktibbeha Consolidated School District is financially stable. The District is proud of its community support of the public schools. The District plans to continue its sound financial management to meet the challenges and to embrace the opportunities of the future.

## 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 Starkville Oktibbeha Consolidated School District, 401 Greensboro Street, Starkville, MS 39759.

## FINANCIAL STATEMENTS

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**STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT**

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

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 19,927,066
Due from other governments	2,605,084
Other receivables, net	9,620
Inventories	73,386
Restricted assets	19,767,637
Capital assets, net of accumulated depreciation	39,687,193
Total Assets	<u>82,069,986</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows - pensions	15,843,296
Total deferred inflows of resources	<u>15,843,296</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	3,810,055
Interest payable on long-term liabilities	403,023
Long-term liabilities, due within one year:	
Capital related liabilities	3,416,258
Capital related liabilities	
Capital related liabilities	39,798,947
Non-capital related liabilities	464,907
Bond premium	241,778
Net pension liability	78,737,887
Total Liabilities	<u>126,872,855</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	3,943,976
Total deferred inflows of resources	<u>3,943,976</u>
<b>Net Position</b>	
Net investment in capital assets	13,178,649
Restricted for:	
Expendable:	
School-based activities	2,980,681
Debt service	2,591,535
Capital improvements	5,151,956
Forestry improvements	156,740
Unemployment benefits	67,081
Non-expendable:	
Sixteenth section	1,421,634
Unrestricted	(58,451,825)
Total Net Position	<u><u>\$ (32,903,549)</u></u>

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

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**STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT**

**Statement of Activities**

**Exhibit B**

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 24,403,931	1,315,401	3,162,192	8,350	(19,917,988)
Support services	19,900,282	13,495	2,654,686	5,000,000	(12,232,101)
Non-instructional	4,048,674	512,346	3,577,884	110,323	151,879
Sixteenth section	61,002	3,266			(57,736)
Pension expense	8,395,645				(8,395,645)
Interest on long-term liabilities	884,554		11,121		(873,433)
Total Governmental Activities	<u>\$ 57,694,088</u>	<u>1,844,508</u>	<u>9,405,883</u>	<u>5,118,673</u>	<u>(41,325,024)</u>
General Revenues:					
Taxes:					
General purpose levies					19,733,685
Debt purpose levies					3,640,188
Unrestricted grants and contributions:					
State					23,284,503
Federal					345,444
Unrestricted investment earnings					14,902
Sixteenth section sources					276,080
Other					256,218
Total General Revenues					<u>47,551,020</u>
Change in Net Position					<u>6,225,996</u>
Net Position - Beginning, as previously reported					(39,166,778)
Prior Period Adjustments					<u>37,233</u>
Net Position - Beginning, as restated					<u>(39,129,545)</u>
Net Position - Ending					<u><u>(32,903,549)</u></u>

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

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**STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT**

**Governmental Funds**

**Balance Sheet**

**June 30, 2017**

**Exhibit C**

	Major Funds					
	General Fund	Title I Fund	2017 Construction Fund	Partner School Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 9,902,281		16,051,950	5,000,000	6,841,730	37,795,961
Cash with fiscal agents					124,953	124,953
Investments					1,773,789	1,773,789
Due from other governments	710,978	561,348			1,332,758	2,605,084
Due from other funds	994,877					994,877
Advances to other funds					500,000	500,000
Inventories					73,386	73,386
Total assets	11,608,136	561,348	16,051,950	5,000,000	10,646,616	43,868,050
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	2,323,567	236,791	77,608		737,338	3,375,304
Construction contracts payable				137,150	275,863	413,013
Retainage payable				7,218	14,520	21,738
Due to other funds		324,557			660,700	985,257
Advances from other funds	500,000					500,000
Total Liabilities	2,823,567	561,348	77,608	144,368	1,688,421	5,295,312
<b>Fund Balances:</b>						
Nonspendable:						
Inventory					73,386	73,386
Permanent fund principal					1,421,634	1,421,634
Restricted:						
Capital improvements			15,974,342	4,855,632	1,270,421	22,100,395
Debt service					2,994,558	2,994,558
Forestry improvement purposes					156,740	156,740
Grant activities	24,881				2,907,295	2,932,176
Unemployment benefits					67,081	67,081
Assigned:						
Student activities	327,843					327,843
Unemployment benefits					67,080	67,080
Unassigned	8,431,845					8,431,845
Total Fund Balances	8,784,569	0	15,974,342	4,855,632	8,958,195	38,572,738
Total Liabilities and Fund Balances	\$ 11,608,136	561,348	16,051,950	5,000,000	10,646,616	43,868,050

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

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**STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT**

**Governmental Funds**

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

**Exhibit C-1**

**Total fund balances for governmental funds** \$ 38,572,738

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

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

Land	\$ 198,920	
Construction in progress	1,171,716	
Buildings	45,351,559	
Building improvements	5,264,295	
Improvements other than buildings	4,139,606	
Mobile equipment	4,414,987	
Furniture and equipment	1,774,903	
Leased property under capital leases	789,109	
Accumulated depreciation	<u>(23,417,902)</u>	39,687,193

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

Net pension liability	(78,737,887)	
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	15,843,296	
Deferred inflows of resources related to pensions	<u>(3,943,976)</u>	(66,838,567)

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

General obligation bonds	(30,755,000)	
Limited obligation refunding bonds	(595,000)	
Three mill notes payable	(5,790,000)	
Capital leases payable	(295,205)	
Qualified school construction bonds payable	(5,780,000)	
Compensated absences payable	(464,907)	
Unamortized premiums	(241,778)	
Accrued interest payable	<u>(403,023)</u>	(44,324,913)

**Net Position of governmental activities** \$ (32,903,549)

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

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**STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT**

**Governmental Funds**

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

**Exhibit D**

	Major Funds					
	General Fund	Title I Fund	2017 Construction Fund	Partner School Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Local sources	\$ 19,983,894				5,468,810	25,452,704
Intermediate sources					594	594
State sources	22,766,339			5,000,000	2,170,657	29,936,996
Federal sources	407,791	2,445,246			5,363,876	8,216,913
Sixteenth section sources	191,089				93,243	284,332
Total Revenues	43,349,113	2,445,246	0	5,000,000	13,097,180	63,891,539
<b>Expenditures:</b>						
Instruction	23,174,310	1,102,983			2,759,920	27,037,213
Support services	16,483,258	1,234,367			2,338,721	20,056,346
Noninstructional services		29,317			4,271,201	4,300,518
Facilities acquisition and construction			187,872	144,368	1,417,811	1,750,051
Sixteenth section	32,527				28,475	61,002
Debt service:						
Principal					2,773,832	2,773,832
Interest	3,666				796,892	800,558
Other			96,127		35,736	131,863
Total Expenditures	39,693,761	2,366,667	283,999	144,368	14,422,588	56,911,383
Excess (Deficiency) of Revenues over (under) Expenditures	3,655,352	78,579	(283,999)	4,855,632	(1,325,408)	6,980,156
<b>Other Financing Sources (Uses):</b>						
Proceeds of general obligation bonds			16,000,000			16,000,000
Proceeds of refunding bonds					2,215,000	2,215,000
Bond premium			258,341			258,341
Insurance loss recoveries	24,545					24,545
Sale of transportation equipment	43,426					43,426
Payments held by escrow agents					339,284	339,284
Operating transfers in	344,967				251,769	596,736
Other financing sources					4,000	4,000
Payments to refunding escrow agents					(2,175,000)	(2,175,000)
Payments to escrow agents					(339,284)	(339,284)
Operating transfers out	(251,769)	(78,579)			(266,388)	(596,736)
Total Other Financing Sources (Uses)	161,169	(78,579)	16,258,341	0	29,381	16,370,312
Net Change in Fund Balances	3,816,521	0	15,974,342	4,855,632	(1,296,027)	23,350,468
<b>Fund Balances:</b>						
July 1, 2016, as previously reported	4,965,832	0	0	0	10,271,328	15,237,160
Prior period adjustments	2,216				(2,316)	(100)
July 1, 2016, as restated	4,968,048	0	0	0	10,269,012	15,237,060
Increase (Decrease) in reserve for inventory					(14,790)	(14,790)
June 30, 2017	\$ 8,784,569	0	15,974,342	4,855,632	8,958,195	38,572,738

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

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**STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT**

**Governmental Funds**

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

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ 23,350,468

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

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	\$ 2,425,298	
Depreciation expense	<u>(1,619,567)</u>	805,731
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold.		
		(149,516)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
Proceeds of general obligation bonds	(16,000,000)	
Premium on general obligation bonds	(258,341)	
Proceeds of refunding bonds	(2,215,000)	
Payments of debt principal	2,773,832	
Payments to refunding escrow agents	2,175,000	
Amortization of bond premiums	25,544	
Accrued interest payable	<u>(109,540)</u>	(13,608,505)
4. Some items relating to pensions and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. The activities include:		
Pension expense	(8,395,645)	
Contributions subsequent to the measurement date	<u>4,246,433</u>	(4,149,212)
5. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences	(8,180)	
Change in inventory reserve	<u>(14,790)</u>	(22,970)
<b>Change in Net Position of governmental activities</b>		<u><u>\$ 6,225,996</u></u>

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

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**STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT****Fiduciary Funds****Statement of Fiduciary Assets and Liabilities  
June 30, 2017****Exhibit E**

	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 163,140
Total Assets	<u>163,140</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	49,076
Due to other funds	9,620
Due to student clubs	104,444
Total Liabilities	<u>\$ 163,140</u>

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

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STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2017

**Note 1 – Summary of Significant Accounting Policies**

The accompanying financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

**A. Financial Reporting Entity**

As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Starkville, Mississippi, since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

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

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

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

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

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

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

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

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2017

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.

**Title I Fund** – This special revenue fund accounts for the expenditures and revenues of the federal award grant Title I grants to local educational agencies.

**2017 Construction Fund**– This is a capital projects fund used to account for the proceeds of the 2017 general obligation bond issue and related facilities acquisition and construction costs.

**Partner School Construction Fund** – This is a capital projects fund used to account for the proceeds of state revenues and other revenues and related expenditures associated with the construction of a new school on the campus of Mississippi State University. The construction of the new school is possible through a partnership between the school district, the State of Mississippi, and Mississippi State University.

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

The District's fiduciary funds include the following:

**Student Club Funds** – These various funds account for the monies raised through student club activities.

**Payroll Clearing Fund** – This fund is used to report the payroll resources held by the district in a purely custodial capacity (assets and liabilities) and does not involve the measurement of results of operations.

**Accounts Payable Clearing Fund** – This fund is used to report the resources of paid claims held by the district in a purely custodial capacity (assets and liabilities) and does not involve the measurement of results of operations.

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.

### **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



STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2017

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 maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

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

**1. Cash, Cash equivalents and Investments**

**Cash and cash equivalents**

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The school

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2017

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.

#### 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 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

#### 6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows/inflows of resources

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

Deferred outflows – Pensions

Deferred outflows - Deferred amount on refunding

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.

Deferred inflows – Pensions

See Notes 9 and 16 for further details on deferred amounts relating to pensions.

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.

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9. Long-term Liabilities and Bond Discounts/Premiums

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond discounts or premiums and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method. The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for details.

10. Pensions

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

11. Fund Balances

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

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

*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 the approval of the type and amount of the commitment through a formal order of the school board. Currently the district has no committed fund balances.

*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 business manager pursuant to authorization established by formal school board policy.

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

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

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**Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments**

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

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

**Investments.** Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of 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 \$37,795,961 and \$163,140, respectively.

**Custodial Credit Risk - Deposits.** Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

**Cash with Fiscal Agents**

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$124,953.

**Investments**

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

Investment Type	Rating	Maturities (in years)	Fair Value
QSCB Construction Bonds Common Trust Funds	Not rated	Less than 1	1,773,789
<b>Total</b>			<b>\$ 1,773,789</b>

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

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

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

- All investments are valued using quoted market prices (Level 1 inputs).

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

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

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

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

### 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	Title I Fund	\$ 324,557
	Other governmental funds	660,700
	Fiduciary funds	9,620
Total		<u>\$ 994,877</u>

The amounts primarily represent inter-fund balances created by loans from the General Fund to special revenue funds to provide adequate cash flow for those funds operating on an expenditure reimbursement basis. Cash is loaned to the funds for operational purposes, and the loans are repaid after reimbursement for grant expenditures is received. Also included are amounts held in the imprest clearing funds due to the General Fund.

#### B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
16th Section Principal Fund	General Fund	\$ 500,000
Total		<u>\$ 500,000</u>

The interfund balances represent sixteenth section principal loans made from the permanent fund (16<sup>th</sup> Section Principal fund) to the General Fund.

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Sixteenth section principal loans payable

Note: The sixteenth section principal loans payable are not reflected on the Statement of Net Position because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances. The interest rate on the sixteenth section principal loans payable as of June 30, 2017 is 4 percent.

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 160,174	20,000	180,174
2019	166,581	13,593	180,174
2020	173,245	6,930	180,175
Total	<u>\$ 500,000</u>	<u>40,523</u>	<u>540,523</u>

**C. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 251,769
Title I Fund	General Fund	78,579
Other governmental funds	General Fund	<u>266,388</u>
Total		<u>\$ 596,736</u>

Transfers represent indirect costs from special revenue funds transferred to the General Fund and operational transfers.

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance, totaling \$920,456, of the Sixteenth Section Principal Fund (Permanent Fund), which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the cash with fiscal agents balance, totaling \$124,953, which represents unexpended bond proceeds in the MAEP Bond Retirement Fund (debt service fund)

In addition, the restricted assets represent investments totaling \$1,773,789 of the QSCB 2013 Limited Tax Note Retirement (debt service fund).

Finally, restricted assets represent \$16,948,439 in unexpended proceeds of bonds restricted for capital improvement at June 30, 2017.

Restricted Assets total \$19,767,637.

**Note 5 – Capital Assets**

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

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	Balance 7/1/2016	Increases	Decreases	Completed Construction	Adjustments	Balance 6/30/2017
<b>Governmental Activities:</b>						
<u><b>Non-depreciable capital assets:</b></u>						
Land	\$ 198,920					198,920
Construction in progress		1,750,051		(578,335)		1,171,716
<b>Total non-depreciable capital assets</b>	<b>198,920</b>	<b>1,750,051</b>	<b>-</b>	<b>(578,335)</b>	<b>-</b>	<b>1,370,636</b>
<u><b>Depreciable capital assets:</b></u>						
Buildings	45,351,559					45,351,559
Building improvements	4,685,960			578,335		5,264,295
Improvements other than buildings	4,139,606					4,139,606
Mobile equipment	5,127,173	537,166	1,304,032		54,680	4,414,987
Furniture and equipment	1,673,766	138,081	78,096		41,152	1,774,903
Leased property under capital leases	789,109					789,109
<b>Total depreciable capital assets</b>	<b>61,767,173</b>	<b>675,247</b>	<b>1,382,128</b>	<b>578,335</b>	<b>95,832</b>	<b>61,734,459</b>
<u><b>Less accumulated depreciation for:</b></u>						
Buildings	15,526,571	800,193				16,326,764
Building improvements	846,103	199,257				1,045,360
Improvements other than buildings	1,529,199	155,513			11,819	1,696,531
Mobile equipment	3,403,038	297,801	1,156,124		31,796	2,576,511
Furniture and equipment	1,383,458	95,783	76,488		14,884	1,417,637
Leased property under capital leases	284,079	71,020				355,099
<b>Total accumulated depreciation</b>	<b>22,972,448</b>	<b>1,619,567</b>	<b>1,232,612</b>	<b>-</b>	<b>58,499</b>	<b>23,417,902</b>
<b>Total depreciable capital assets, net</b>	<b>38,794,725</b>	<b>(944,320)</b>	<b>149,516</b>	<b>578,335</b>	<b>37,333</b>	<b>38,316,557</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 38,993,645</b>	<b>805,731</b>	<b>149,516</b>	<b>-</b>	<b>37,333</b>	<b>39,687,193</b>

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 12,308
Support services	1,552,186
Non-instructional	55,073
<b>Total depreciation expense - Governmental activities</b>	<b>\$ 1,619,567</b>

Construction in progress is composed of the following:

	Spent to June 30, 2017	Remaining Commitment
Roofing project - Armstrong Middle School	\$ 193,684	173,504
Partnership School	911,610	28,704,313
Roofing project - Rosa Stewart Building	6,307	135,487
Tennis courts - Starkville High School	60,115	277,258
	<u>\$ 1,171,716</u>	<u>29,290,562</u>

Construction projects will be completed using the proceeds of general obligation bonds issue during the 2016-2017 year and proceeds of limited tax notes issued in prior years and general obligation bonds issued in prior years. The construction costs of the Partnership School will also be paid from the Partner School Construction Fund (capital projects fund) and through future funding commitments from the State of Mississippi and Mississippi State University.



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**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	Refunded Bonds	Balance 6/30/2017	Amounts due within one year
A. General obligation bonds payable	\$ 16,240,000	16,000,000	1,525,000	(2,175,000)	28,540,000	1,575,000
General obligation refunding bonds payable	-	2,215,000			2,215,000	370,000
	16,240,000	18,215,000	1,525,000	(2,175,000)	30,755,000	1,945,000
B. Limited obligation bonds payable	995,000		400,000		595,000	595,000
C. Three mill notes payable	6,525,000		735,000		5,790,000	760,000
D. Obligations under capital lease	409,037		113,832		295,205	116,258
E. Qualified school construction bonds payable	5,780,000				5,780,000	
F. Compensated absences payable	456,727	8,180			464,907	
Subtotals	30,405,764	18,223,180	2,773,832	(2,175,000)	43,680,112	3,416,258
Premium on General Obligation Bonds	-	258,341	19,872		238,469	19,872
Premium on Limited Obligation Bonds	8,981		5,672		3,309	3,309
Subtotals	8,981	258,341	25,544	0	241,778	23,181
Totals	\$ 30,414,745	18,481,521	2,799,376	(2,175,000)	43,921,890	3,439,439

**A. General obligation bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. GOB, Series 2008	5.00%	15-Oct-08	1-Sep-23	\$ 9,925,000	\$ 6,100,000
2. GOB, Series 2009	3.75%	22-Oct-09	1-Sep-24	8,575,000	6,440,000
3. GOB, Series 2016	3.00%	7-Mar-17	1-Mar-30	16,000,000	16,000,000
4. GOB, Refunding Series 2017	2.21%	24-May-17	1-Mar-24	2,215,000	2,215,000
				<u>\$ 36,715,000</u>	<u>\$ 30,755,000</u>

The following are schedules by years of the total payments due on this debt:

1. General obligation refunding bond issue of October 15, 2008.

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Year Ending June 30	Principal	Interest	Total
2018	\$ 675,000	204,641	879,641
2019	675,000	178,063	853,063
2020	625,000	155,312	780,312
2021	650,000	133,000	783,000
2022	1,125,000	101,938	1,226,938
2023-2024	2,350,000	83,125	2,433,125
Total	<u>\$ 6,100,000</u>	<u>856,079</u>	<u>6,956,079</u>

This debt will be retired from the Bond Issue Debt Retirement Fund (debt service fund).

2. General obligation refunding bond issue October 22, 2009.

Year Ending June 30	Principal	Interest	Total
2018	\$ 400,000	210,276	610,276
2019	425,000	197,400	622,400
2020	425,000	184,650	609,650
2021	575,000	169,291	744,291
2022	975,000	143,853	1,118,853
2023-2025	3,640,000	201,250	3,841,250
Total	<u>\$ 6,440,000</u>	<u>1,106,720</u>	<u>7,546,720</u>

This debt will be retired from the Bond Issue Debt Retirement Fund (debt service fund).

3. General obligation bond issue of March 7, 2017.

Year Ending June 30	Principal	Interest	Total
2018	\$ 500,000	472,000	972,000
2019	600,000	465,000	1,065,000
2020	700,000	447,000	1,147,000
2021	660,000	426,000	1,086,000
2022	320,000	406,200	726,200
2023-2027	6,505,000	1,726,350	8,231,350
2028-2030	6,715,000	398,850	7,113,850
Total	<u>\$ 16,000,000</u>	<u>4,341,400</u>	<u>20,341,400</u>

This debt will be retired from the Bond Issue Debt Retirement Fund (debt service fund).

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4. General obligation refunding bond issue of May 24, 2017.

Year Ending June 30		Principal	Interest	Total
2018	\$	370,000	38,209	408,209
2019		360,000	41,341	401,341
2020		435,000	33,365	468,365
2021		435,000	23,527	458,527
2022		100,000	13,781	113,781
2023-2024		515,000	17,382	532,382
Total	\$	2,215,000	167,605	2,382,605

This debt will be retired from the Bond Issue Debt Retirement Fund (debt service fund).

Total general obligation bond payments for all issues:

Year Ending June 30		Principal	Interest	Total
2018	\$	1,945,000	925,126	2,870,126
2019		2,060,000	881,804	2,941,804
2020		2,185,000	820,327	3,005,327
2021		2,320,000	751,818	3,071,818
2022		2,520,000	665,772	3,185,772
2023-2027		13,010,000	2,028,107	15,038,107
2028-2030		6,715,000	398,850	7,113,850
Total	\$	30,755,000	6,471,804	37,226,804

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2017, the amount of outstanding bonded indebtedness was equal to 8% of property assessments as of October 1, 2016.

**B. Limited obligation bonds payable**

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

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Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. State aid capital improvement bonds, Series 2009	2.0-3.0%	22-Oct-09	1-Feb-18	\$ 1,460,000	\$ 185,000
2. State aid capital improvement bonds, Series 2011	2.00%	28-Oct-11	1-Feb-18	1,345,000	410,000
				<u>\$ 2,805,000</u>	<u>\$ 595,000</u>

The following are schedules by years of the total payments due on this debt:

1. State aid capital improvement bonds Series 2009 issued October 22, 2009.

Year Ending June 30	Principal	Interest	Total
2018	\$ 185,000	5,550	190,550
Total	<u>\$ 185,000</u>	<u>5,550</u>	<u>190,550</u>

This debt will be retired from the MAEP Retirement Fund (debt service fund).

2. State aid capital improvement bonds Series 2011 issued October 28, 2011.

Year Ending June 30	Principal	Interest	Total
2018	\$ 410,000	6,000	416,000
Total	<u>\$ 410,000</u>	<u>6,000</u>	<u>416,000</u>

This debt will be retired from the MAEP Retirement Fund (debt service fund).

Total limited obligation bonds payable for all issues:

Year Ending June 30	Principal	Interest	Total
2018	\$ 595,000	11,550	606,550
Total	<u>\$ 595,000</u>	<u>11,550</u>	<u>606,550</u>

**C. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Three mill note Series 2014	2.49%	12-Mar-14	1-Mar-29	\$ 5,200,000	\$ 3,575,000
2. Limited tax note Series 2014	1.46-3.63%	26-Aug-14	26-Aug-29	2,500,000	2,215,000
				<u>\$ 7,700,000</u>	<u>\$ 5,790,000</u>

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The following are schedules by years of the total payments due on this debt:

1. Three mill note Series 2014 issued March 12, 2014.

Year Ending June 30	Principal	Interest	Total
2018	\$ 610,000	89,017	699,017
2019	635,000	73,829	708,829
2020	585,000	58,017	643,017
2021	355,000	43,451	398,451
2022	275,000	34,611	309,611
2023-2027	690,000	94,745	784,745
2028-2029	425,000	19,920	444,920
Total	\$ 3,575,000	413,590	3,988,590

This debt will be retired from the Limited Tax Note Debt Service Fund (debt service fund).

2. Limited tax note Series 2014 issued August 26, 2014.

Year Ending June 30	Principal	Interest	Total
2018	\$ 150,000	64,040	214,040
2019	155,000	61,055	216,055
2020	160,000	57,598	217,598
2021	155,000	53,774	208,774
2022	160,000	49,884	209,884
2023-2027	865,000	180,545	1,045,545
2028-2030	570,000	40,960	610,960
Total	\$ 2,215,000	507,856	2,722,856

This debt will be retired from the Oktibbeha County Limited Tax Fund (debt service fund).

Total three mill notes payable for all issues:

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT  
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For Year Ended June 30, 2017

Year Ending June 30		Principal	Interest	Total
2018	\$	760,000	153,057	913,057
2019		790,000	134,884	924,884
2020		745,000	115,615	860,615
2021		510,000	97,225	607,225
2022		435,000	84,495	519,495
2023-2027		1,555,000	275,290	1,830,290
2028-2030		995,000	60,880	1,055,880
Total	\$	5,790,000	921,446	6,711,446

**D. Obligations under capital lease**

The school district has entered into a lease agreement as lessee for financing the acquisition of capital assets. The lease qualifies as a capital lease for accounting purposes. The details of the lease are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Buses Lease - 2012	2.12%	12-Aug-12	3-Dec-19	\$ <u>789,109</u>	\$ <u>295,205</u>

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

Bus Lease – 2012.

Year Ending June 30		Principal	Interest	Total
2018	\$	116,258	5,648	121,906
2019		118,736	3,170	121,906
2020		60,211	639	60,850
Total	\$	295,205	9,457	304,662

This debt will be retired from the EEF Buildings and Buses Fund (special revenue fund).

**E. Qualified school construction bonds payable**

As more fully explained in note 13, debt has been issued by the school district that qualifies as Qualified School Construction Bonds. Debt currently outstanding is as follows:

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2017

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Qualified school construction bonds - 2009	0.00%	8-Oct-09	15-Sep-24	\$ 3,000,000	\$ 3,000,000
2. Qualified school construction bonds - 2014	0.00%	15-Jun-14	15-Jun-28	2,780,000	2,780,000
				<u>\$ 5,780,000</u>	<u>\$ 5,780,000</u>

The 2014 Series of the qualified school construction bonds are secured by an irrevocable pledge of the district's Education Enhancement Funds ("EEF" funds) that are received from the State of Mississippi pursuant to Section 3-61-33, Mississippi Code Ann. (1972). The escrow payments for these bonds are partially payable from such future revenues and are payable through June 15, 2028. The debt service requirements of the debt and the amount of such state revenues received during the year ended June 30, 2017, was \$125,000 and \$168,777.

**F. 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 – Short Term Financing**

During the year the school district participated in the following short-term financing for the purpose of revenue anticipation:

Description	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Revenue anticipation note	\$ -	1,500,000	1,500,000	-

The school district issued a revenue anticipation note payable to a local bank in the maximum amount of \$2,500,000 at an annual interest rate of 0.38%, giving the district the ability to draw down monies as needed to correct negative cash flow amounts. The district drew down a total of \$1,500,000 on September 30, 2016. The note was repaid in full on May 26, 2017.

**Note 8 – Other Commitments**

Commitments under construction contracts are described in Note 5.

Operating leases:

The school district has an operating lease for 235 printers/copiers. This is a 48 month lease that includes service on the machines. The monthly rental is \$18,350 per month.

Lease expenditures for the year ended June 30, 2017, amounted to \$165,150. Future lease payments for this lease are as follows:

Year Ending June 30	Amount
2018	\$ 220,200
2019	220,200
2020	220,200
2021	55,050
Total	<u>\$ 715,650</u>

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2017

## Note 9 – 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 \$4,246,433, \$4,441,235 and \$4,638,216, 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 \$78,737,887 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 0.4408 percent, which was based on a measurement date of June 30, 2016. This is a 0.0306% decrease from the 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 \$8,395,645. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2017

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,259,536	\$
Net difference between projected and actual earnings on pension plan investments	5,254,512	
Changes of assumptions	3,969,357	276,373
Changes in proportion and differences between District contributions and proportionate share of contributions	113,458	3,667,603
District contributions subsequent to the measurement date	4,246,433	
Total	\$ <u>15,843,296</u>	\$ <u>3,943,976</u>

\$4,246,433 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	\$ 2,539,540
2019	1,581,282
2020	1,976,582
2021	1,555,483

*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:

STARKVILLE OKTIBBEHA CONSOLIDATED 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>	
U.S. Broad	34	%	5.20	%
International Equity	19		5.00	
Emerging Markets Equity	8		5.45	
Fixed Income	20		0.25	
Real Assets	10		4.00	
Private Equity	8		6.15	
Cash	1		(0.50)	
Total	100	%		

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

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

	<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	\$ 100,959,624	\$ 78,737,887	\$ 60,301,048

*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 10 – 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	\$ 160,449
2019	157,249
2020	144,807
2021	137,028
2022	113,787
2023 – 2027	392,037
2028 – 2032	342,859
2033 - 2037	28,557
Thereafter	173,091
Total	<u>\$ 1,649,864</u>

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2017

**Note 11 – Contingencies**

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

Litigation – The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings.

**Note 12 – 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 Pools**

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

**Note 13 – Qualified School Construction Bonds**

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

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

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2017 was \$1,773,789, which includes investments. The amount accumulated in the sinking fund at the end of the financing 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.

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2017

<u>Year Ending</u>		<u>2009 Series</u>	<u>2014 Series</u>	<u>Total</u>
<u>June 30</u>				
2018	\$	214,286	125,000	339,286
2019		214,286	125,000	339,286
2020		214,286	125,000	339,286
2021		214,286	125,000	339,286
2022		214,286	130,000	344,286
2023-2027		642,858	1,300,000	1,942,858
2028		-	400,000	400,000
	\$	<u>1,714,288</u>	<u>2,330,000</u>	<u>4,044,288</u>

#### Note 14 – Prior Period Adjustments

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

##### Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
1. Reclassification of a prior period asset or liability	\$ (100)
2. Prior period adjustment to include certain depreciable assets	<u>37,333</u>
	\$ <u>37,233</u>

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

<u>Fund</u>	<u>Explanation</u>	<u>Amount</u>
General Fund	Reclassification of a prior year asset or liability	\$ 2,216
Other governmental funds	Reclassification of a prior year liability	<u>(2,316)</u>
		\$ <u>(100)</u>

#### Note 15 – Insurance Loss Recoveries

The school district received \$24,545 in insurance loss recoveries related to bus damages sustained in bus accidents during the 2016-2017 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated among the expense functions based on the following percentages:

<u>Insurance Loss</u>	<u>Percentage</u>	<u>Expense Function</u>
<u>Recoveries</u>		
\$ <u>24,545</u>	<u>100%</u>	Support services

#### Note 16 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$58,451,825) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. \$11,596,863 of deferred outflow of resources balance at June 30, 2017, will be recognized as expense and will decrease the unrestricted net position over the next four (4) years.

The unrestricted net position amount of (\$58,451,825) includes the effect of deferring the recognition of revenues resulting from a deferred inflow from pensions. The \$3,943,976 balance of deferred inflow of resources at June 30, 2017, will be recognized as revenue and will increase the unrestricted net position over the next three (3) years.

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2017

**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 Starkville Oktibbeha Consolidated School District evaluated the activity of the district through February 5, 2018, (the date the financial statements were available to be issued), and determined that no events have occurred requiring disclosure in the notes to the financial statements.

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## REQUIRED SUPPLEMENTARY INFORMATION

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**STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT**

**Required Supplementary Information**

**Budgetary Comparison Schedule**

**General Fund**

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

				Variances	
	Budgeted Amounts		Actual (GAAP Basis)	Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 18,869,301	18,870,301	19,983,894	1,000	1,113,593
State sources	23,495,148	23,495,148	22,766,339	0	(728,809)
Federal sources	310,500	310,500	407,791	0	97,291
Sixteenth section sources	137,750	137,750	191,089	0	53,339
Total Revenues	42,812,699	42,813,699	43,349,113	1,000	535,414
<b>Expenditures:</b>					
Instruction	24,502,257	25,631,130	23,174,310	(1,128,873)	2,456,820
Support services	16,999,569	18,322,508	16,483,258	(1,322,939)	1,839,250
Noninstructional services	700,000	343,787	0	356,213	343,787
Sixteenth section	31,975	43,225	32,527	(11,250)	10,698
Debt service					
Principal	161,000	161,000	0	0	161,000
Interest	68,000	68,000	3,666	0	64,334
Total Expenditures	42,462,801	44,569,650	39,693,761	(2,106,849)	4,875,889
Excess (Deficiency) of Revenues over (under) Expenditures	349,898	(1,755,951)	3,655,352	(2,105,849)	5,411,303
<b>Other Financing Sources (Uses):</b>					
Proceeds of loans	500,000	500,000	0	0	(500,000)
Insurance loss recoveries	0	0	24,545	0	24,545
Sale of transportation equipment	0	0	43,426	0	43,426
Operating transfers in	5,323,919	5,323,919	344,967	0	(4,978,952)
Operating transfers out	(5,831,215)	(5,961,268)	(251,769)	(130,053)	5,709,499
Total Other Financing Sources (Uses)	(7,296)	(137,349)	161,169	(130,053)	298,518
Net Change in Fund Balances	342,602	(1,893,300)	3,816,521	(2,235,902)	5,709,821
<b>Fund Balances:</b>					
July 1, 2016, as previously reported	2,053,349	4,964,709	4,965,832	2,911,360	1,123
Prior period adjustments	0	0	2,216	0	2,216
July 1, 2016, as restated	2,053,349	4,964,709	4,968,048	2,911,360	3,339
June 30, 2017	\$ 2,395,951	3,071,409	8,784,569	675,458	5,713,160

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

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**STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT**

**Required Supplementary Information**

**Budgetary Comparison Schedule**

**Title I Fund**

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

	Budgeted Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 1,977,426	3,386,766	2,445,246	1,409,340	(941,520)
Total Revenues	1,977,426	3,386,766	2,445,246	1,409,340	(941,520)
<b>Expenditures:</b>					
Instruction	817,867	1,627,476	1,102,983	(809,609)	524,493
Support services	1,065,620	1,594,405	1,234,367	(528,785)	360,038
Noninstructional services	35,327	58,333	29,317	(23,006)	29,016
Total Expenditures	1,918,814	3,280,214	2,366,667	(1,361,400)	913,547
Excess (Deficiency) of Revenues over (under) Expenditures	58,612	106,552	78,579	47,940	(27,973)
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(58,612)	(106,552)	(78,579)	(47,940)	27,973
Total Other Financing Sources (Uses)	(58,612)	(106,552)	(78,579)	(47,940)	27,973
Net Change in Fund Balances	0	0	0	0	0
<b>Fund Balances</b>					
July 1, 2016	0	0	0	0	0
June 30, 2017	\$ 0	0	0	0	0

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

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**STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT**

**Required Supplementary Information**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

**PERS**

**Last 10 Fiscal Years\***

	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>
District's proportion of the net pension liability (asset)	0.440800%	0.471377%	0.472930%
District's proportionate share of the net pension liability (asset)	\$ 78,737,887	72,865,588	57,465,005
District's covered payroll	28,198,317	29,448,990	28,898,476
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	279.23%	247.43%	198.85%
Plan fiduciary net position as a percentage of the total pension liability	57%	62%	67%

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 Statement No. 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information in the years for which information is available.

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**STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT**

**Required Supplementary Information**

**SCHEDULE OF DISTRICT CONTRIBUTIONS**

**PERS**

**Last 10 Fiscal Years**

	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>
Contractually required contribution	\$ 4,246,433	4,441,235	4,638,216
Contributions in relation to the contractually required contribution	4,246,433	4,441,235	4,638,216
Contribution deficiency (excess)	<u>\$ 0</u>	<u>0</u>	<u>0</u>
District's covered payroll	26,961,479	28,198,317	29,448,990
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 Statement No. 68 was implemented in FYE 6/30/2015, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

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STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For 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.

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## SUPPLEMENTARY INFORMATION

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**STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT**

**Supplementary Information**

**Schedule of Expenditures of Federal Awards**

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

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 625,534
National school lunch program	10.555	1,800,562
National school lunch program - commodities	10.555	237,957
Summer food service program for children	10.559	77,065
Total child nutrition cluster		2,741,118
Total passed-through Mississippi Department of Education		2,741,118
<b>Total U.S. Department of Agriculture</b>		<b>2,741,118</b>
<b><u>U.S. Department of Defense</u></b>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	63,048
<b>Total U.S. Department of Defense</b>		<b>63,048</b>
<b><u>U.S. Department of the Interior</u></b>		
Direct Program:		
National Wildlife Refuge Fund	15.659	39,866
<b>Total U.S. Department of the Interior</b>		<b>39,866</b>
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	2,644,161
Career and technical education - basic grants to states	84.048	54,805
Education of homeless children and youth	84.196	15,405
Innovative approaches to literacy program	84.215	264,054
Twenty-first century community learning centers	84.287	293,771
Rural education	84.358	49,398
Improving teacher quality - state grants	84.367	405,080
Subtotal		3,726,674
Special education cluster:		
Special education - grants to states	84.027	1,209,690
Special education - preschool grants	84.173	36,216
Total special education cluster		1,245,906
Total passed-through Mississippi Department of Education		4,972,580
<b>Total U.S. Department of Education</b>		<b>4,972,580</b>
<b><u>U.S. Department of Health and Human Services</u></b>		
Direct Program:		
Community-based child abuse prevention grants	93.590	95,425
Total direct programs		95,425
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	44,615
Total passed-through Mississippi Department of Education		44,615
<b>Total U.S. Department of Health and Human Services</b>		<b>140,040</b>
Total for All Federal Awards		\$ 7,956,652

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**STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT**

**Supplementary Information**

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

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

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 39,435,132	28,595,120	1,459,855	2,529,396	6,850,761
Other	17,476,251	4,015,970	634,230	68,968	12,757,083
Total	<u>\$ 56,911,383</u>	<u>32,611,090</u>	<u>2,094,085</u>	<u>2,598,364</u>	<u>19,607,844</u>
Total number of students *	<u>5,175</u>				
Cost per student	<u>\$ 10,997</u>	<u>6,302</u>	<u>405</u>	<u>502</u>	<u>3,788</u>

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

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

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

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

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

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

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STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT  
Notes to the Supplementary Information  
For Year Ended June 30, 2017

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Starkville Oktibbeha Consolidated 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 Starkville Oktibbeha Consolidated School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Starkville Oktibbeha Consolidated School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the governmental funds financial statements (modified accrual basis of accounting); however, expenditures reported on the Schedule include operating transfers out. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. 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 Starkville Oktibbeha Consolidated School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

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## OTHER INFORMATION

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**STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT**

**Other Information**

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

**General Fund**

**Last Four Years**

**UNAUDITED**

	2017	2016*	2015*	2014*
<b>Revenues:</b>				
Local sources	\$ 19,983,894	19,415,172	18,120,202	16,740,101
Intermediate sources		85	13,029	6,833
State sources	22,766,339	22,980,029	21,677,924	21,497,741
Federal sources	407,791	309,857	414,460	407,524
Sixteenth section sources	191,089	391,087	219,237	
Total Revenues	43,349,113	43,096,230	40,444,852	38,652,199
<b>Expenditures:</b>				
Instruction	23,174,310	23,942,071	24,799,400	24,237,622
Support services	16,483,258	16,050,231	16,603,922	17,330,439
Noninstructional services			19,696	52,349
Facilities acquisition and construction			8,100	12,365
Sixteenth section	32,527	23,194	37,433	
Debt service:				
Principal		29,037	68,100	65,903
Interest	3,666	46,004	50,568	39,264
Other		149		
Total Expenditures	39,693,761	40,090,686	41,587,219	41,737,942
Excess (Deficiency) of Revenues over (under) Expenditures	3,655,352	3,005,544	(1,142,367)	(3,085,743)
<b>Other Financing Sources (Uses):</b>				
Insurance loss recoveries	24,545	12,610	177,312	20,743
Sale of transportation equipment	43,426		9,051	
Sale of other property		5,000		
Operating transfers in	344,967	355,631	563,020	2,233,148
Operating transfers out	(251,769)	(220,181)	(346,239)	(146,334)
Total Other Financing Sources (Uses)	161,169	153,060	403,144	2,107,557
Net Change in Fund Balances	3,816,521	3,158,604	(739,223)	(978,186)
<b>Fund Balances:</b>				
Beginning of period, as previously reported	4,965,832	0	1,223,919	1,671,734
** Statutory Consolidation - Starkville School District, June 30, 2015		869,476		
** Statutory Consolidation - Oktibbeha County School District, June 30, 2015		925,889		
July 1, at inception (for the 2016 year)		1,795,365		
Prior period adjustments	2,216	11,863	695,037	530,371
Fund reclassifications			615,632	
Beginning of period, as restated	4,968,048	1,807,228	2,534,588	2,202,105
End of Period	\$ 8,784,569	4,965,832	1,795,365	1,223,919

\*SOURCE - PRIOR YEAR AUDIT REPORTS

\*\* As a result of the Regular Session Senate Bill 2392 passed by the Mississippi Legislature on July 1, 2013, the Oktibbeha County School District and Starkville School District were consolidated and formed Starkville-Oktibbeha Consolidated School District. The prior year comparison amounts of 2015 and 2014 represent prior year audit report numbers combined for both of the former districts.

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**STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT**

**Other Information**

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

**All Governmental Funds**

**Last Four Years**

**UNAUDITED**

	2017	2016*	2015*	2014*
<b>Revenues:</b>				
Local sources	\$ 25,452,704	24,741,937	23,701,835	22,286,666
Intermediate sources	594	10,718	82,092	72,538
State sources	29,936,996	24,922,629	23,351,432	23,249,835
Federal sources	8,216,913	9,230,863	8,797,961	8,676,895
Sixteenth section sources	284,332	450,769	256,378	565,446
Total Revenues	63,891,539	59,356,916	56,189,698	54,851,380
<b>Expenditures:</b>				
Instruction	27,037,213	28,421,751	28,964,068	28,571,795
Support services	20,056,346	19,756,827	19,280,033	19,473,748
Noninstructional services	4,300,518	4,338,035	4,540,985	4,624,971
Facilities acquisition and construction	1,750,051	82,700	5,200,850	734,915
Sixteenth section	61,002	56,834	60,553	118,687
Debt service:				
Principal	2,773,832	3,675,494	3,517,541	2,527,883
Interest	800,558	930,729	974,261	925,390
Other	131,863	14,580	12,923	112,620
Total Expenditures	56,911,383	57,276,950	62,551,214	57,090,009
Excess (Deficiency) of Revenues over (under) Expenditures	6,980,156	2,079,966	(6,361,516)	(2,238,629)
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	18,215,000		2,500,000	7,980,000
Bond premium	258,341			
Insurance loss recoveries	24,545	12,610	177,312	20,743
Payments held by escrow agents	339,284		314,285	327,336
Sale of transportation equipment	43,426		9,051	
Sale of other property		5,000		
Operating transfers in	596,736	856,729	4,847,571	2,591,478
Other financing sources	4,000	339,286	12,374	4,500
Operating transfers out	(596,736)	(856,729)	(4,847,571)	(2,591,478)
Payments to escrow agents	(2,514,284)	(339,286)	(314,285)	(341,286)
Total Other Financing Sources (Uses)	16,370,312	17,610	2,698,737	7,991,293
Net Change in Fund Balances	23,350,468	2,097,576	(3,662,779)	5,752,664
<b>Fund Balances:</b>				
Beginning of period, as previously reported	15,237,160	0	16,042,009	9,985,518
** Statutory Consolidation - Starkville School District, June 30, 2015		9,941,797		
** Statutory Consolidation - Oktibbeha County School District, June 30, 2015		3,167,358		
July 1, at inception (for the 2016 year)		13,109,155		
Prior period adjustments	(100)	11,630	731,734	294,163
Beginning of period, as restated	15,237,060	13,120,785	16,773,743	10,279,681
Increase (decrease in inventory)	(14,790)	18,799	(1,809)	9,664
End of Period	\$ 38,572,738	15,237,160	13,109,155	16,042,009

\*SOURCE - PRIOR YEAR AUDIT REPORTS

\*\* As a result of the Regular Session Senate Bill 2392 passed by the Mississippi Legislature on July 1, 2013, the Oktibbeha County School District and Starkville School District were consolidated and formed Starkville-Oktibbeha Consolidated School District. The prior year comparison amounts of 2015 and 2014 represent prior year audit report numbers combined for both of the former districts.

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## REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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**SUZANNE E. SMITH, CPA, PLLC**  
**AUDITING AND ACCOUNTING SERVICES**  
**sesmithcpa@msn.com**

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards**

Superintendent and School Board  
Starkville Oktibbeha Consolidated School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Starkville Oktibbeha Consolidated School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Starkville Oktibbeha Consolidated School District's basic financial statements, and have issued our report thereon dated February 5, 2018.

**Internal Control Over Financial Reporting**

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

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

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

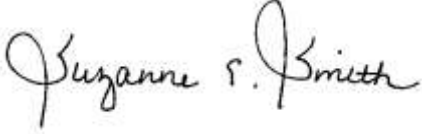
**Compliance and Other Matters**

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

**POST OFFICE BOX 102**  
**BRANDON, MISSISSIPPI 39043**  
**PHONE: 601-938-5717**

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

A handwritten signature in black ink that reads "Suzanne E. Smith". The signature is written in a cursive, flowing style.

Suzanne E. Smith, CPA, PLLC  
Brandon, Mississippi  
February 5, 2018

**SUZANNE E. SMITH, CPA, PLLC**  
**AUDITING AND ACCOUNTING SERVICES**  
**sesmithcpa@msn.com**

**Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control  
Over Compliance Required by the Uniform Guidance**

Superintendent and School Board  
Starkville Oktibbeha Consolidated School District

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

We have audited Starkville Oktibbeha Consolidated School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the district's major federal programs for the year ended June 30, 2017. Starkville Oktibbeha Consolidated 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Starkville Oktibbeha Consolidated School District's compliance.

**Opinion on Each Major Federal Program**

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

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as **Finding 2017-001**. Our opinion on each major federal program is not modified with respect to these matters. Starkville Oktibbeha Consolidated School District's response to the noncompliance finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. The school district's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

Management of Starkville Oktibbeha Consolidated School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Starkville Oktibbeha Consolidated School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the

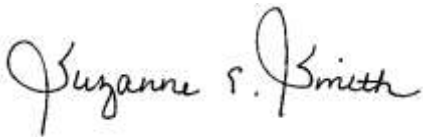
**POST OFFICE BOX 102**  
**BRANDON, MISSISSIPPI 39043**  
**PHONE: 601-938-5717**

auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Starkville Oktibbeha Consolidated School District's internal control over compliance.

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

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

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

A handwritten signature in cursive script that reads "Suzanne E. Smith".

Suzanne E. Smith, CPA, PLLC  
Brandon, Mississippi  
February 5, 2018

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

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**SUZANNE E. SMITH, CPA, PLLC**  
**AUDITING AND ACCOUNTING SERVICES**  
**sesmithcpa@msn.com**

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

Superintendent and School Board  
Starkville Oktibbeha Consolidated School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Starkville Oktibbeha Consolidated School District as of and for the year ended June 30, 2017, which collectively comprise Starkville Oktibbeha Consolidated School District's basic financial statements and have issued our report thereon dated February 5, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to 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, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

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

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to 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."

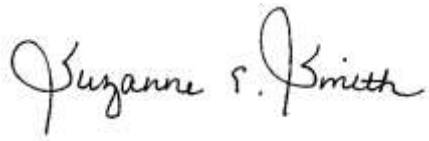
The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

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

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

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies, the Office of the State Auditor and pass-through entities and is not intended to

be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Suzanne E. Smith". The signature is written in a cursive, flowing style.

Suzanne E. Smith, CPA, PLLC

Brandon, Mississippi

February 5, 2018

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2017

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- |  |   |   |
|--|---|---|
| 4.   | Internal control over major programs:                       |   |
| a.   | Material weakness(es) identified? (Yes/No)                  | No  |
| b.   | Significant deficiency(ies) identified? (Yes/None reported) | None reported                             |
| 5. Type of auditor's report issued on compliance for major programs:   |   |   |
|  |   | Unmodified                                |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? (Yes/No) |   |   |
|  |   | No  |
| 7. Identification of major programs:   |   |   |
|  | <u>CFDA Numbers</u>   | <u>Name of Federal Program or Cluster</u> |
|  | 10.553/10.555/10.559  | Child Nutrition Cluster                   |
|  | 84.027/84.173   | Special Education Cluster                 |
| 8. Dollar threshold used to distinguish between type A and type B programs:                                    |   |   |
|  |   | \$750,000                                 |
| 9. Auditee qualified as low-risk auditee? (yes/no)   |   |   |
|  |   | No  |

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2017

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

*Finding Considered to be a Significant Deficiency:*

Finding 2017-001. CFDA 84.010 Title I grants to local educational agencies. Cost Principles.

CONDITION: Our testing of payroll expenditures found one employee who was paid from the 2017 grant year while working in a non-grant activity. The employee worked the first half of the year in a position supported by the federal award program but changed positions at the beginning of the second semester. Her salary was charged to the grant for the second half of the year even though the newly assumed position was not supported by the award program. The employee signed a semi-annual certification certifying that she continued to work under the federal award program for the second half of the year even though her position changed to one not supported by the program.

CRITERIA: All payroll costs charged to the Title I grants to local educational agencies should be associated with employees who provide services to the Title I program. The district should develop controls to make certain that only payroll costs associated with the federal award program are charged to the program.

CAUSE: The cause is not fully known. The appropriate changes were made in the payroll system to change the funding source. However, those payroll charges were moved through a general journal entry back to the 2017 Title I grant at the end of the year and the employee was asked to sign a semi-annual certification for the second half of the year. The district's established controls did not prevent this from occurring.

EFFECT: The effect is that unallowable costs were charged to the grant in the amount of \$24,728. Since this amount is less than \$25,000, no costs will be questioned.

RECOMMENDATION: We recommend that the district reviews its established controls in this area and strengthen the controls to make sure that only allowable costs are charged to the federal award in the future.

## AUDITEE'S CORRECTIVE ACTION PLAN

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# **STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT**

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STARKVILLE, MS 39759



EDDIE PEASANT, ED.D.  
SUPERINTENDENT

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## **Finding 2017-001**

### **Corrective Action Planned:**

The district will review and strengthen its payroll expenditure controls related to federal funding to ensure that only allowable costs are charged to the federal award. In addition we will monitor controls surrounding time and effort procedures to ensure that semi-annual certifications are correctly completed by federally funded employees.

### **Who is Responsible for the Corrective Action:**

Tammie McGarr, Chief Financial Officer and Anna Guntharp, Federal Programs Director

### **When the Corrective Action will start:**

February 5, 2018

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