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Calhoun County School District
Audited Financial Statements
For the Year Ended June 30, 2018

Fortenberry & Ballard, PC
Certified Public Accountants

**Calhoun County School District
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Calhoun County School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Calhoun County School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Calhoun County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Calhoun County School District, as of June 30, 2018, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the school district adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, net position as of July 1, 2017, has been restated. Our opinion is not modified with respect to this matter.

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, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 8 - 19 and 61 - 71, 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 Calhoun County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All

Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2019, on our consideration of the Calhoun County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Calhoun County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Calhoun County School District's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
February 12, 2019

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Calhoun County School District
Management's Discussion and Analysis
For The Year Ended June 30, 2018

The following discussion and analysis of Calhoun County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2018. 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 2018 decreased \$3,494,166, including a prior period adjustment of (\$2,201,853), due primarily to the effect of recording the net OPEB liability, which represents a 27% decrease from fiscal year 2017. Total net position for 2017 decreased \$1,335,208, which represents a 12% decrease from fiscal year 2016.
- General revenues amounted to \$16,861,029 and \$17,559,333, or 78% and 79% of all revenues for fiscal years 2018 and 2017, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,859,098, or 22% of total revenues for 2018, and \$4,642,562 or 21% of total revenues for 2017.
- The District had \$23,012,440 and \$23,537,103 in expenses for fiscal years 2018 and 2017; only \$4,859,098 for 2018 and \$4,642,562 for 2017 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$16,861,029 for 2018 and \$17,559,333 for 2017 were not adequate to provide for these programs.
- Among the major funds, the General Fund had \$16,780,421 in revenues and \$15,585,070 in expenditures for 2018, and \$17,868,063 in revenues and \$17,160,077 in expenditures for 2017. The General Fund's fund balance increased by \$624,774 from 2017 to 2018, and increased by \$809,474 from 2016 to 2017.
- Capital assets, net of accumulated depreciation, decreased by \$458,628 for 2018 and decreased by \$471,907 for 2017. The decrease for 2018 was due primarily to the increase in accumulated depreciation coupled with the retirement of capital assets.
- Long-term debt decreased by \$878,000 for 2018 and decreased by \$529,276 for 2017. This decrease for 2018 was due primarily to principal payments on outstanding long-term debt. In addition, the liability for compensated absences decreased by \$756 in 2018, and increased by \$5,724 in 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Calhoun County School District
Management's Discussion and Analysis
For The Year Ended June 30, 2018

Government-wide Financial Statements

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

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

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

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

Calhoun County School District
Management's Discussion and Analysis
For The Year Ended June 30, 2018

long-term impact of the District's near term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Position, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

A net pension liability and net OPEB liability result in liabilities on the government-wide financial statements but are 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.

Calhoun County School District
Management's Discussion and Analysis
For The Year Ended June 30, 2018

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, Schedule of District Contributions (PERS), Schedule of the District's Proportionate Share of the Net OPEB Liability, and Schedule of District Contributions (OPEB) as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$16,406,598 as of June 30, 2018.

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.

Calhoun County School District
Management's Discussion and Analysis
For The Year Ended June 30, 2018

Table 1 presents a summary of the District's net position at June 30, 2018 and June 30, 2017.

Table 1
Condensed Statement of Net Position

	June 30, 2018	June 30, 2017	Percentage Change
Current assets	\$ 5,223,179	4,037,521	29%
Restricted assets	5	833,508	(100)%
Capital assets, net	<u>11,008,185</u>	<u>11,466,813</u>	(4)%
Total assets	<u>16,231,369</u>	<u>16,337,842</u>	(1)%
 Deferred outflows of resources	 <u>6,163,373</u>	 <u>7,210,943</u>	 (15)%
 Current liabilities	 66,782	 82,371	 (19)%
Long-term debt outstanding	1,846,526	2,725,282	(32)%
Net OPEB liability	2,181,819		N/A
Net pension liability	<u>31,012,603</u>	<u>33,045,619</u>	(6)%
Total liabilities	<u>35,107,730</u>	<u>35,853,272</u>	(2)%
 Deferred inflows of resources	 <u>3,693,610</u>	 <u>607,945</u>	 508%
 Net position:			
Net investment in capital assets	11,008,185	10,773,813	2%
Restricted	1,440,792	1,697,822	(15)%
Unrestricted	<u>(28,855,575)</u>	<u>(25,384,067)</u>	(14)%
Total net position (deficit)	<u>\$ (16,406,598)</u>	<u>(12,912,432)</u>	(27)%

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (28,855,575)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the related deferred outflows and deferred inflows	<u>30,724,659</u>
Unrestricted net position, exclusive of the net pension and net OPEB liability effect	<u>\$ 1,869,084</u>

Calhoun County School District
Management's Discussion and Analysis
For The Year Ended June 30, 2018

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

- Decrease in net capital assets in the amount of \$458,628.
- The principal retirement of \$878,000 of long-term debt.
- Implementation of GASB 75 which resulted in the recognition of a net OPEB liability in the amount of \$2,181,819.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2018 and June 30, 2017 were \$21,720,127 and \$22,201,895, respectively. The total cost of all programs and services was \$23,012,440 for 2018 and \$23,537,103 for 2017.

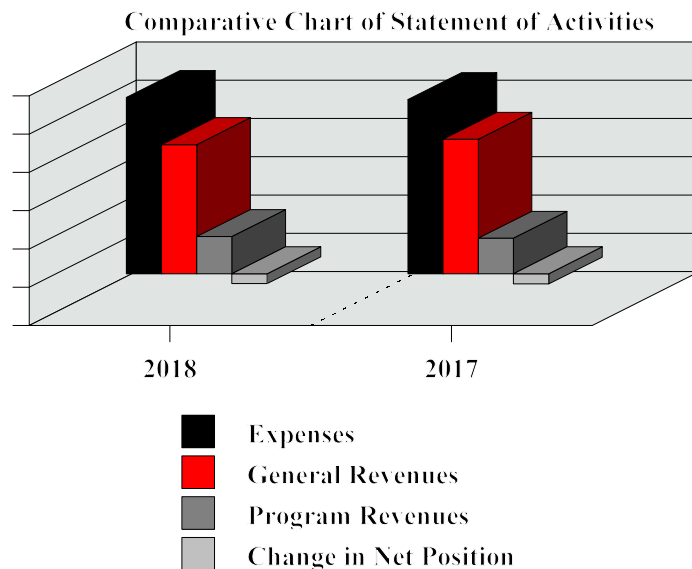
Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2018 and June 30, 2017.

Calhoun County School District
Management's Discussion and Analysis
For The Year Ended June 30, 2018

Table 2
Changes in Net Position

	Year Ended June 30, 2018	Year Ended June 30, 2017	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 777,306	688,174	13%
Operating grants and contributions	4,081,792	3,954,388	3%
General revenues:			
Property taxes	3,672,731	3,578,935	3%
Grants and contributions not restricted	12,800,559	13,651,086	(6)%
Unrestricted investment earnings	10,273	4,670	120%
Sixteenth section sources	56,288	25,091	124%
Other	321,178	299,551	7%
Total revenues	21,720,127	22,201,895	(2)%
Expenses:			
Instruction	11,134,650	11,084,693	0%
Support services	6,198,488	6,601,368	(6)%
Non-instructional	1,544,780	1,523,247	1%
Sixteenth section	6,425	16,075	(60)%
Pension expense	3,944,936	4,210,812	(6)%
OPEB expense	105,722		N/A
Interest on long-term liabilities	77,439	100,908	(23)%
Total expenses	23,012,440	23,537,103	(2)%
 Increase (Decrease) in net position	 (1,292,313)	 (1,335,208)	 3%
 Net Position (Deficit) - July 1, as previously reported	 (12,912,432)	 (11,577,224)	 (12)%
Prior period adjustments	(2,201,853)		N/A
Net Position (Deficit) - July 1, as restated	(15,114,285)	(11,577,224)	(31)%
Net Position (Deficit) - June 30	\$ (16,406,598)	(12,912,432)	(27)%

Calhoun County School District
Management's Discussion and Analysis
For The Year Ended June 30, 2018



Governmental activities

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

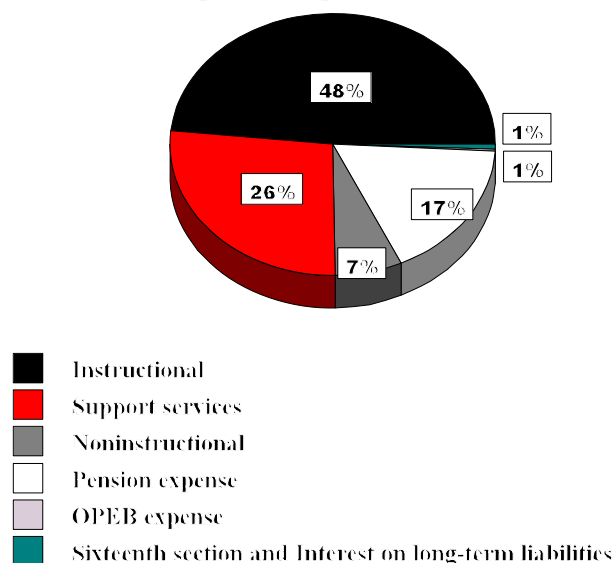
Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2018	2017	
Instruction	\$ 11,134,650	11,084,693	0%
Support services	6,198,488	6,601,368	(6)%
Non-instructional	1,544,780	1,523,247	1%
Sixteenth section	6,425	16,075	(60)%
Pension expense	3,944,936	4,210,812	(6)%
OPEB expense	105,722		N/A
Interest on long-term liabilities	77,439	100,908	(23)%
Total expenses	\$ 23,012,440	23,537,103	(2)%

Calhoun County School District
Management's Discussion and Analysis
For The Year Ended June 30, 2018

	<u>Net (Expense) Revenue</u>		
	<u>2018</u>	<u>2017</u>	<u>Percentage Change</u>
Instruction	\$ (8,825,715)	(9,138,472)	(3)%
Support services	(5,244,777)	(5,500,811)	(5)%
Non-instructional	44,646	72,537	(38)%
Sixteenth section	601	(16,075)	(104)%
Pension expense	(3,944,936)	(4,210,812)	(6)%
OPEB expense	(105,722)		N/A
Interest on long-term liabilities	(77,439)	(100,908)	(23)%
Total net (expense) revenue	<u><u>\$ (18,153,342)</u></u>	<u><u>(18,894,541)</u></u>	<u><u>(4)%</u></u>

Chart of Expenses as per Statement of Activities



- Net cost of governmental activities (\$18,153,342 for 2018 and \$18,894,541 for 2017) was financed by general revenue, which is primarily made up of property taxes (\$3,672,731 for 2018 and \$3,578,935 for 2017) and state and federal revenues (\$12,800,559 for 2018 and \$13,651,086 for 2017). In addition, there was \$56,288 and \$25,091 in Sixteenth Section sources for 2018 and 2017, respectively.
- Investment earnings amounted to \$10,273 for 2018 and \$4,670 for 2017.

Calhoun County School District
Management's Discussion and Analysis
For The Year Ended June 30, 2018

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$5,217,452, an increase of \$351,484, which includes an increase in inventory of \$6,661. \$3,492,132, or 67% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted or assigned to specific purposes within the general fund. The remaining fund balance of \$1,725,320, or 33% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$624,774. The fund balance of Other Governmental Funds showed a decrease in the amount of \$383,312. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
School Lunch Fund	\$ 20,602
Title I A Basic Fund	no increase or decrease
EHA IDEA Part B Fund	no increase or decrease
Three Mill Notes Retirement Fund	89,420

BUDGETARY HIGHLIGHTS

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

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

Calhoun County School District
Management's Discussion and Analysis
For The Year Ended June 30, 2018

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2018, the District's total capital assets were \$23,485,217, including land, school buildings, improvements other than buildings, mobile equipment, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$126,874 from 2017. Total accumulated depreciation as of June 30, 2018, was \$12,477,032 and total depreciation expense for the year was \$617,325, resulting in total net capital assets of \$11,008,185.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
Land	\$ 92,520	86,020	8%
Buildings	9,299,233	9,540,270	(3)%
Improvements other than buildings	134,841	139,781	(4)%
Mobile equipment	1,248,826	1,417,804	(12)%
Furniture and equipment	232,765	282,938	(18)%
Total	<u>\$ 11,008,185</u>	<u>11,466,813</u>	<u>(4)%</u>

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

Debt Administration. At June 30, 2018, the District had \$1,846,526 in outstanding long-term debt, of which \$195,000 is due within one year. The liability for compensated absences decreased \$756 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
Limited obligations bonds payable	\$ 0	693,000	(100)%
Three mill notes payable	1,665,000	1,850,000	(10)%
Compensated absences payable	181,526	182,282	0%
Total	<u>\$ 1,846,526</u>	<u>2,725,282</u>	<u>(32)%</u>

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

Calhoun County School District
Management's Discussion and Analysis
For The Year Ended June 30, 2018

CURRENT ISSUES AND OTHER INFORMATION

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

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

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

Enrollment for the 2017-2018 year decreased 12% to 2,202 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report or need additional financial information, contact the Superintendent's Office of the Calhoun County School District, 119 West Main Street, Pittsboro, MS 38951.

FINANCIAL STATEMENTS

CALHOUN COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2018

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 4,717,943
Investments	13,826
Due from other governments	410,242
Inventories	53,108
Prepaid items	28,060
Restricted assets	5
Capital assets, non-depreciable:	
Land	92,520
Capital assets, net of accumulated depreciation:	
Buildings	9,299,233
Improvements other than buildings	134,841
Mobile equipment	1,248,826
Furniture and equipment	232,765
Total Assets	<u>16,231,369</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	6,070,359
Deferred outflows - OPEB	93,014
Total Deferred Outflows of Resources	<u>6,163,373</u>
Liabilities	
Accounts payable and accrued liabilities	5,732
Interest payable on long-term liabilities	61,050
Long-term liabilities (due within one year):	
Non-capital related liabilities	195,000
Net OPEB liability	89,761
Long-term liabilities (due beyond one year):	
Non-capital related liabilities	1,651,526
Net pension liability	31,012,603
Net OPEB liability	2,092,058
Total Liabilities	<u>35,107,730</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	3,567,854
Deferred inflows - OPEB	125,756
Total Deferred Inflows of Resources	<u>3,693,610</u>
Net Position	
Net Investment in Capital Assets	11,008,185
Restricted For:	
Expendable:	
School - based activities	609,809
Debt Service	679,793
Forestry Improvements	46,027
Unemployment Benefits	105,163
Unrestricted	(28,855,575)
Total Net Position (Deficit)	<u>\$ (16,406,598)</u>

The accompanying notes are an integral part of this statement.

CALHOUN COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities:				Governmental Activities
Instruction	11,134,650	482,897	1,826,038	(8,825,715)
Support services	6,198,488	--	953,711	(5,244,777)
Noninstructional services	1,544,780	287,383	1,302,043	44,646
Sixteenth section	6,425	7,026	--	601
Pension expense	3,944,936	--	--	(3,944,936)
OPEB expense	105,722	--	--	(105,722)
Interest on long-term liabilities	77,439	--	--	(77,439)
Total Governmental Activities	\$ 23,012,440	\$ 777,306	\$ 4,081,792	(18,153,342)
General Revenues:				
Taxes:				
General purpose levies				3,401,993
Debt purpose levies				270,738
Unrestricted grants and contributions:				
State				12,592,954
Federal				207,605
Unrestricted investment earnings				10,273
Sixteenth section sources				56,288
Other				321,178
Total General Revenues				16,861,029
Change in Net Position				(1,292,313)
Net Position (Deficit) - Beginning, as previously reported				(12,912,432)
Prior Period Adjustment				(2,201,853)
Net Position (Deficit) - Beginning - as restated				(15,114,285)
Net Position (Deficit) - Ending				\$ (16,406,598)

The accompanying notes are an integral part of this statement.

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CALHOUN COUNTY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	School Lunch Fund	Title I A Basic Fund
Assets			
Cash and cash equivalents	\$ 3,276,905	\$ 555,080	\$ --
Cash with fiscal agents	--	--	--
Investments	13,826	--	--
Due from other governments	165,013	--	144,023
Due from other funds	237,538	--	--
Inventories	--	53,108	--
Prepaid items	28,060	--	--
Total Assets	<u>\$ 3,721,342</u>	<u>\$ 608,188</u>	<u>\$ 144,023</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 5,732	\$ --	\$ --
Due to other funds	--	--	144,023
Total Liabilities	<u>5,732</u>	<u>--</u>	<u>144,023</u>
Fund Balances:			
Nonspendable:			
Inventory	--	53,108	--
Prepaid items	28,060	--	--
Restricted:			
Unemployment benefits	--	--	--
Forestry improvements	--	--	--
Debt service	--	--	--
Grant activities	--	--	--
Food service	--	555,080	--
Assigned:			
Activity funds	170,418	--	--
Capital improvements	25,000	--	--
Unassigned	<u>3,492,132</u>	<u>--</u>	<u>--</u>
Total Fund Balances	<u>3,715,610</u>	<u>608,188</u>	<u>--</u>
Total Liabilities and Fund Balances	<u>\$ 3,721,342</u>	<u>\$ 608,188</u>	<u>\$ 144,023</u>

The accompanying notes are an integral part of this statement.

EHA IDEA Part B Fund	Three Mill Notes Retirement Funds	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 733,067	\$ 152,891	\$ 4,717,943
--	--	5	5
--	--	--	13,826
64,796	7,691	28,719	410,242
--	--	--	237,538
--	--	--	53,108
--	--	--	28,060
<u>\$ 64,796</u>	<u>\$ 740,758</u>	<u>\$ 181,615</u>	<u>\$ 5,460,722</u>
\$ --	\$ --	\$ --	\$ 5,732
64,796	--	28,719	237,538
<u>64,796</u>	<u>--</u>	<u>28,719</u>	<u>243,270</u>
--	--	--	53,108
--	--	--	28,060
--	--	105,163	105,163
--	--	46,027	46,027
--	740,758	85	740,843
--	--	1,621	1,621
--	--	--	555,080
--	--	--	170,418
--	--	--	25,000
--	--	--	3,492,132
<u>--</u>	<u>740,758</u>	<u>152,896</u>	<u>5,217,452</u>
<u>\$ 64,796</u>	<u>\$ 740,758</u>	<u>\$ 181,615</u>	<u>\$ 5,460,722</u>

CALHOUN COUNTY SCHOOL DISTRICT**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

JUNE 30, 2018

Total fund balances for governmental funds	\$ 5,217,452
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	11,008,185
Liabilities due in one year are not recognized in the funds.	(284,761)
Payables for bond interest which are not due in the current period are not reported in the funds.	(61,050)
Payables for notes which are not due in the current period are not reported in the funds.	(1,470,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(181,526)
Recognition of the School District's proportionate share of the net pension liability is not reported in the funds.	(31,012,603)
Deferred Inflows of Resources related to the pension plan are not reported in the funds.	(3,567,854)
Deferred Outflows of Resources related to the pension plan are not reported in the funds.	6,070,359
Recognition of the School District's proportionate share of the net OPEB liability is not reported in the funds.	(2,092,058)
Deferred Inflows of Resources related to the OPEB plan are not reported in the funds.	(125,756)
Deferred Outflows of Resources related to the OPEB plan are not reported in the funds.	93,014
Net position of governmental activities	\$ <u>(16,406,598)</u>

The accompanying notes are an integral part of this statement.

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CALHOUN COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	School Lunch Fund	Title I A Basic Fund
Revenues:			
Local sources	\$ 4,040,211	\$ 254,802	\$ --
State sources	12,454,744	13,758	--
Federal sources	229,277	1,414,692	981,209
Sixteenth section sources	56,189	--	--
Total Revenues	<u>16,780,421</u>	<u>1,683,252</u>	<u>981,209</u>
Expenditures:			
Instruction	9,805,039	--	845,313
Support services	5,682,081	158,225	87,247
Noninstructional services	97,950	1,471,086	10,550
Sixteenth section	--	--	--
Debt service:			
Principal	--	--	--
Interest	--	--	--
Other	--	--	--
Total Expenditures	<u>15,585,070</u>	<u>1,629,311</u>	<u>943,110</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,195,351</u>	<u>53,941</u>	<u>38,099</u>
Other Financing Sources (Uses):			
Insurance recovery	212,776	--	--
Operating transfers in	43,973	--	35,154
Operating transfers out	(827,326)	(40,000)	(73,253)
Total Other Financing Sources (Uses)	<u>(570,577)</u>	<u>(40,000)</u>	<u>(38,099)</u>
Net Change in Fund Balances	624,774	13,941	--
Fund Balances:			
July 1, 2017	3,090,836	587,586	--
Increase (decrease) in inventory	--	6,661	--
June 30, 2018	<u>\$ 3,715,610</u>	<u>\$ 608,188</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

EHA IDEA Part B	Three Mill Notes Retirement Funds	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 271,975	\$ 609	\$ 4,567,597
--	--	976,931	13,445,433
635,072	--	176,668	3,436,918
--	--	7,125	63,314
<u>635,072</u>	<u>271,975</u>	<u>1,161,333</u>	<u>21,513,262</u>
249,346	--	1,190,280	12,089,978
385,726	--	420,248	6,733,527
--	--	--	1,579,586
--	--	6,425	6,425
--	108,555	769,445	878,000
--	74,000	17,561	91,561
--	--	2,138	2,138
<u>635,072</u>	<u>182,555</u>	<u>2,406,097</u>	<u>21,381,215</u>
--	89,420	(1,244,764)	132,047
--	--	--	212,776
--	--	896,606	975,733
--	--	(35,154)	(975,733)
<u>--</u>	<u>--</u>	<u>861,452</u>	<u>212,776</u>
--	89,420	(383,312)	344,823
--	651,338	536,208	4,865,968
--	--	--	6,661
<u>\$ --</u>	<u>\$ 740,758</u>	<u>\$ 152,896</u>	<u>\$ 5,217,452</u>

CALHOUN COUNTY SCHOOL DISTRICT

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018*

Net change in fund balances - total governmental funds	\$ 344,823
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	165,718
The depreciation of capital assets used in governmental activities is not reported in the funds.	(617,325)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(7,021)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	693,000
Repayment of notes principal is an expenditure in the funds but is not an expense in the SOA.	185,000
(Increase) decrease in accrued interest from beginning of period to end of period.	16,260
Change in inventory affects fund balance in the funds but affects expense in the SOA.	6,661
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	756
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.	1,877,459
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(3,944,936)
Amounts paid by employer as benefits come due subsequent to measurement date of NOL and before end of reporting period.	93,014
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	(105,722)
Change in net position of governmental activities	\$ <u>(1,292,313)</u>

The accompanying notes are an integral part of this statement.

CALHOUN COUNTY SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 JUNE 30, 2018

	Agency Funds
Assets	
Cash and cash equivalents	\$ 915,714
Total Assets	<u>\$ 915,714</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 857,419
Due to student clubs	58,295
Total Liabilities	<u>\$ 915,714</u>

The accompanying notes are an integral part of this statement.

Calhoun County School District

Notes to the Financial Statements
For the Year Ended June 30, 2018

Calhoun County School District

Notes to the Financial Statements
For the Year Ended June 30, 2018

Note 1 - Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five-member board to which each member is elected by the citizens of each defined county district.

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

B. Government-wide and Fund Financial Statements

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

The Statement of Net Position presents the District's non-fiduciary assets, deferred outflows, 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.

Calhoun County School District

Notes to the Financial Statements For the Year Ended June 30, 2018

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

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

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

The school district reports the following major governmental funds:

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

School Lunch Fund - This is a special revenue fund accounts for the federal and state revenue received and expenditures incurred related to the food service operation.

Title I A Basic Fund - This is the school district's special revenue fund federal reimbursable fund that serves to fund remedial mathematics and reading services to low-income, program eligible students.

EHA IDEA Part B Fund - This special revenue fund accounts for the resources from the grants to states to assist them in providing a free appropriate public education to all children with disabilities.

Three Mill Notes Retirement Fund - This is a debt service fund that accounts for the payment of three mill notes.

Calhoun County School District

Notes to the Financial Statements For the Year Ended June 30, 2018

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

The District's fiduciary funds include the following:

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

Student Club Fund - This fund accounts for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual clubs.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

FIDUCIARY FUNDS

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available.

Calhoun County School District

Notes to the Financial Statements For the Year Ended June 30, 2018

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 the 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.

Calhoun County School District

Notes to the Financial Statements For the Year Ended June 30, 2018

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

D. Encumbrances

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

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

1. Cash, Cash Equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

Calhoun County School District

Notes to the Financial Statements For the Year Ended June 30, 2018

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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements.

5. Restricted Assets

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

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

Calhoun County School District

Notes to the Financial Statements For the Year Ended June 30, 2018

deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows/inflows of resources

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

Calhoun County School District

Notes to the Financial Statements For the Year Ended June 30, 2018

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

See Note 13 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public

Calhoun County School District

Notes to the Financial Statements For the Year Ended June 30, 2018

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. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Fiduciary net position was zero as of the measurement date of June 30, 2017.

12. 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

Calhoun County School District

Notes to the Financial Statements For the Year Ended June 30, 2018

School Board, the District's highest level of decision-making authority. Currently there is no committed fund balance for this school district.

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

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

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

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

13. New Pronouncements

In June 2017, the GASB issued GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note

Calhoun County School District

Notes to the Financial Statements For the Year Ended June 30, 2018

disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

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 \$4,717,943 and \$915,714, 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

Calhoun County School District

Notes to the Financial Statements For the Year Ended June 30, 2018

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 institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2018, none of the district's bank balance of \$6,724,780 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$5.

Investments

As of June 30, 2018, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
Certificates of deposit	N/A	1 to 5	\$ <u>13,826</u>

The district categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical 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, 2018:

Level 1 type of investments of \$13,826 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.

Calhoun County School District

Notes to the Financial Statements For the Year Ended June 30, 2018

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2018, the district had the following investments.

Issuer	Fair Value	% of Total Investments
Certificates of deposit	\$13,826	100%

Note 3 - Interfund Receivables, Payables, and Transfers

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I A Basic Fund	\$ 144,023
	EHA IDEA Part B Fund	64,796
	Other Governmental Funds	28,719
Total		\$ <u>237,538</u>

The purpose of the Due From/To other funds was to cover deficit cash balances. All balances are expected to be repaid within one year from the date of the financial statements.

B. Interfund Transfers

Transfers In	Transfers Out	Amount
General Fund	School Lunch Fund	\$ 40,000
	Title I A Basic Fund	3,973
Title I A Basic Fund	Other Governmental Funds	35,154
Other Governmental Funds	General Fund	827,326
	Title I A Basic Fund	69,280
Total		\$ <u>975,733</u>

Transfers were made for indirect cost transfers and budgetary allocations. All transfers were routine and consistent with the fund making the transfer.

Note 4 - Restricted Assets

The restricted assets represents the cash with fiscal agents balance, totaling \$5 of the MAEP Limited Bonds Debt Retirement Fund which is legally restricted and may not be used for purposes that support the district's programs.

Calhoun County School District

Notes to the Financial Statements For the Year Ended June 30, 2018

Note 5 - Capital Assets

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

	Balance 7-1-2017	Additions	Retirements	Balance 6-30-2018
<u>Non-depreciable capital assets:</u>				
Land	\$ 86,020	6,500		92,520
Total non-depreciable capital assets	86,020	6,500	0	92,520
<u>Depreciable capital assets:</u>				
Buildings	17,607,562	62,469		17,670,031
Improvements other than buildings	402,507			402,507
Mobile equipment	3,745,719	45,132		3,790,851
Furniture and equipment	1,516,535	51,617	38,844	1,529,308
Total depreciable capital assets	23,272,323	159,218	38,844	23,392,697
<u>Less accumulated depreciation for:</u>				
Buildings	8,067,292	303,506		8,370,798
Improvements other than buildings	262,726	4,940		267,666
Mobile equipment	2,327,915	214,110		2,542,025
Furniture and equipment	1,233,597	94,769	31,823	1,296,543
Total accumulated depreciation	11,891,530	617,325	31,823	12,477,032
Total depreciable capital assets, net	11,380,793	(458,107)	7,021	10,915,665
Governmental activities capital assets, net	\$ 11,466,813	(451,607)	7,021	11,008,185

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 432,128
Support services	123,465
Non-instructional	61,732
Total depreciation expense	\$ 617,325

Note 6 - Long-Term Liabilities

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

	Balance 7-1-2017	Reductions	Balance 6-30-2018	Amounts due within one year
A. Limited obligation bonds payable	\$ 693,000	693,000	0	
B. Three mill notes payable	1,850,000	185,000	1,665,000	195,000
C. Compensated absences payable	182,282	756	181,526	
Total	\$ 2,725,282	878,756	1,846,526	195,000

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Notes to the Financial Statements For the Year Ended June 30, 2018

A. Limited obligation bonds payable

This debt was paid off and retired from the MAEP Bond Retirement Fund.

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill note	4.00%	08-13-08	08-01-25	\$ 3,100,000	1,665,000

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

Year Ending June 30	Principal	Interest	Total
2019	\$ 195,000	66,600	261,600
2020	200,000	58,800	258,800
2021	210,000	50,800	260,800
2022	220,000	42,400	262,400
2023	225,000	33,600	258,600
2024 - 2026	615,000	47,600	662,600
Total	\$ 1,665,000	299,800	1,964,800

This debt was paid off and retired from the Three Mill Debt Service Fund.

C. Compensated absences payable

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

Note 7 - Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi

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Notes to the Financial Statements For the Year Ended June 30, 2018

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 district. 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 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.

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, 2018 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, 2018, 2017 and 2016 were \$1,877,459, \$1,884,944, and \$1,868,590, 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, 2018, the school district reported a liability of \$31,012,603 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an

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Notes to the Financial Statements For the Year Ended June 30, 2018

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, 2018 net pension liability was 0.186560 percent, which was based on a measurement date of June 30, 2017. This was an increase of 0.00156 percent from its proportionate share used to calculate the June 30, 2017 net pension liability, which was based on a measurement date of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$3,944,936. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,333,967	\$ 226,290
Net difference between projected and actual earnings on pension plan investments	1,910,554	
Change of assumptions	31,673	
Changes in proportion and differences between District contributions and proportionate share of contributions	916,706	3,341,564
District contributions subsequent to the measurement date	1,877,459	
Total	\$ 6,070,359	\$ 3,567,854

\$1,877,459 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, 2019. 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:

2019	\$ 672,252
2020	506,981
2021	44,865
2022	(599,052)

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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Notes to the Financial Statements For the Year Ended June 30, 2018

Inflation	3.0 percent
Salary increases	3.25 - 18.50 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 2022, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	27.00%	4.60%
International Equity	18.00%	4.50%
Emerging Markets Equity	4.00%	4.75%
Global	12.00%	4.75%
Fixed Income	18.00%	0.75%
Real Estate	10.00%	3.50%
Private Equity	8.00%	5.10%
Emerging Debt	2.00%	2.25%
Cash	1.00%	0.00%
Total	100%	

Calhoun County School District

Notes to the Financial Statements For the Year Ended June 30, 2018

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 table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75%, 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 lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 40,675,100	\$ 31,012,603	\$ 22,990,632

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

Note 8 - Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

Plan description. State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). The Plan was established by Section 25-15-3 et. seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. A trust was created June 28, 2018 for the OPEB Plan and, while no trust was in place for the June 30, 2017 plan year-end, for purposes of comparability for future periods, terminology used herein is based on the plan being a cost-sharing multiple-employer defined benefit OPEB plan. The plan does not issued a stand-alone financial report.

Calhoun County School District

Notes to the Financial Statements For the Year Ended June 30, 2018

Benefits provided.

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare Eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$93,014 for the year ended June 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

At June 30, 2018, the District reported a liability of \$2,181,819 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any

Calhoun County School District

Notes to the Financial Statements For the Year Ended June 30, 2018

employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2017, the District's proportion was 0.27807739 percent. This was a decrease of 0.00211037 percent from the proportionate share as of the measurement date of June 30, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$105,722. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	\$	\$ 111,097
Changes in proportion and differences between District contributions and proportionate share of contributions		14,659
District contributions subsequent to the measurement date	93,014	
Total	\$ <u>93,014</u>	\$ <u>125,756</u>

\$93,014 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:	
2019	\$ (22,062)
2020	(22,062)
2021	(22,062)
2022	(22,062)
2023	(22,062)
Thereafter	(15,446)
Total	\$ <u>(125,756)</u>

Actuarial assumptions. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Calhoun County School District

Notes to the Financial Statements For the Year Ended June 30, 2018

Inflation	3.00 percent
Salary increases	3.25 - 18.50 percent, including wage inflation
Long-term Investment Rate of Return, net of OPEB plan investment expense, including inflation	N/A
Municipal Bond Index Rate	
Measurement Date	3.56 percent
Prior Measurement Date	3.01 percent
Year FNP is projected to be depleted	
Measurement Date	2017
Prior Measurement Date	2016
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.56 percent
Prior Measurement Date	3.01 percent
Health Care Cost Trends	
Medicare Supplement Claims	7.75 percent for 2017 decreasing to an ultimate
Pre-Medicare	rate of 5.00 percent by 2023

Both pre-retirement and post-retirement mortality rates were based on the RP 2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, male rates set forward 1 year and adjusted by 106% for males at all ages, and females adjusted to 90% for ages less than 76, 95% for age 76, 105% for age 78 and 110% for ages 79 and greater. Post-disability mortality rates were based on the RP 2014 Disabled Retiree Mortality Table set forward 4 years for males and 3 years for females.

The demographic actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study dated April 18, 2017.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

The plan had no assets as of the measurement date of 2017.

Calhoun County School District

Notes to the Financial Statements For the Year Ended June 30, 2018

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.56 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.01% to 3.56%.

Since no trust was set up as of June 30, 2017, there was no projection of cash flows for the Plan and the Plan was projected to be depleted in 2017.

The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used, if necessary, for this purpose is the average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by the Bond Buyer.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage point higher (4.56 percent) than the current discount rate:

		1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Net OPEB liability	\$	2,239,441	\$ 2,181,819	\$ 2,138,910

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

		1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$	2,015,057	\$ 2,181,819	\$ 2,372,198

OPEB plan fiduciary net position. The fiduciary net position for the OPEB plan was zero as of June 30, 2017, the measurement date. Therefore, no separately issued financials were prepared. Detailed information about the OPEB plan's fiduciary net position for June 30, 2018 and going forward will be available in separately issued financial reports available on the Mississippi Department of Finance and Administration's website.

Calhoun County School District

Notes to the Financial Statements
For the Year Ended June 30, 2018

Note 9 - Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Property Trust (MSBAPT). The Trust is a risk sharing pool; such a pool is frequently referred to as a self-insurance pool. The Trust consists of approximately 39 school districts and covers losses associated with property damage to the physical assets owned by the member districts. An indemnity agreement is executed by each member in the Trust for the purposes of jointly and severally binding the pool and each of the members/districts to meet the financial obligations of each member. Each member of the Trust contributes quarterly to a fund held in trust by Amegy Bank of Texas in Houston, Texas. The funds in the trust account are used to pay any claim up to \$150,000 per occurrence. For a claim/occurrence exceeding \$150,000 the Trust has secured excess insurance. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the Trust.

The school district is a member of the Mississippi School Boards Association Casualty Trust (MSBACT). The Trust is a risk sharing pool; such a pool is frequently referred to as a self-insurance pool. The Trust consists of approximately 39 school districts and covers liability related losses the member may be responsible for through General Liability, Automobile Liability and School Board Legal Liability. An indemnity agreement is executed by each member in the Trust for the purposes of jointly and severally binding the pool and each of the members/districts to meet the financial obligations of each member. Each member of the Trust contributes quarterly to a fund held in trust by Amegy Bank of Texas in Houston, Texas. The funds in the trust account are used to pay any claim up to \$150,000 per occurrence. For a claim/occurrence exceeding \$150,000 the Trust has secured excess insurance. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the Trust.

Note 10 - Contingencies

Federal Grants - The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and

Calhoun County School District

Notes to the Financial Statements For the Year Ended June 30, 2018

applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district.

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

Note 11 - 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.

Year Ending June 30	Amount
2019	\$ 6,438
2020	5,438
2021	5,063
2022	5,063
2023	5,063
2024 - 2028	25,315
2029 - 2033	16,518
2034 - 2038	3,267
2039 - 2043	1,750
2044 - 2048	1,400
Total	\$ <u>75,315</u>

Calhoun County School District

Notes to the Financial Statements
For the Year Ended June 30, 2018

Note 12 - Insurance Loss Recoveries

The Calhoun County School District received \$212,776 in insurance loss recoveries related to tornado damage. In the government-wide Statement of Activities, the insurance loss recoveries in the amount of \$59,111 were reported as support services and the remaining balance in the amount of \$153,665 were reported as general revenues.

Note 13 - Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$28,855,575) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflows of resources related to pension in the amount of \$1,877,459 resulting from the school district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. The \$4,192,900 balance of deferred outflow of resources, at June 30, 2018 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$28,855,575) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$3,567,854 balance of deferred inflow of resources at June 30, 2018 will be recognized as a revenue and will increase the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$28,855,575) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflows of resources related to OPEB in the amount of \$93,014 resulting from the amount paid by the school district as benefits come due subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019.

The unrestricted net position amount of (\$28,855,575) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$125,756 balance of deferred inflow of resources at June 30, 2018 will be recognized as a revenue and will increase the unrestricted net position over the next 6 years.

Calhoun County School District

Notes to the Financial Statements
For the Year Ended June 30, 2018

Note 14 - Prior Period Adjustment

A summary of significant Net Position adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
1. Implementation of GASB 75:	\$
Net OPEB liability (06-30-17)	(2,287,702)
Deferred outflows - contributions made during fiscal year 2017	<u>85,849</u>
Total prior period adjustment related to GASB 75	\$ <u><u>(2,201,853)</u></u>

Note 15 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Calhoun County School District evaluated the activity of the district through the date the financial statements were available to be issued, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CALHOUN COUNTY SCHOOL DISTRICT

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2018

Exhibit 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 4,124,893	4,116,184	4,040,211	(8,709)	(75,973)
State sources	12,462,504	12,217,762	12,454,744	(244,742)	236,982
Federal sources	255,800	255,800	229,277	-	(26,523)
Sixteenth section sources	38,624	38,624	56,189	-	17,565
Total Revenues	16,881,821	16,628,370	16,780,421	(253,451)	152,051
Expenditures:					
Instruction	10,267,651	10,431,786	9,805,039	(164,135)	626,747
Support services	6,218,389	6,707,829	5,682,081	(489,440)	1,025,748
Noninstructional services	102,382	135,561	97,950	(33,179)	37,611
Sixteenth section	2,000	2,000	-	-	2,000
Total Expenditures	16,590,422	17,277,176	15,585,070	(686,754)	1,692,106
Excess (Deficiency) of Revenues Over (Under) Expenditures	291,399	(648,806)	1,195,351	(940,205)	1,844,157
Other Financing Sources (Uses):					
Insurance recovery	-	-	212,776	-	212,776
Operating transfers in	388,266	513,999	43,973	125,733	(470,026)
Other financing sources	52,331	49,744	-	(2,587)	(49,744)
Operating transfers out	(438,316)	(636,590)	(827,326)	(198,274)	(190,736)
Other financing uses	(52,331)	(51,244)	-	1,087	51,244
Total Other Financing Sources (Uses)	(50,050)	(124,091)	(570,577)	(74,041)	(446,486)
Net Change in Fund Balances	241,349	(772,897)	624,774	(1,014,246)	1,397,671
Fund Balances:					
July 1, 2017	1,605,630	3,090,836	3,090,836	1,485,206	-
June 30, 2018	\$ 1,846,979	2,317,939	3,715,610	470,960	1,397,671

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

CALHOUN COUNTY SCHOOL DISTRICT

Budgetary Comparison Schedule

School Lunch Fund

For the Year Ended June 30, 2018

Exhibit 2

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 318,950	318,950	254,802	-	(64,148)
State sources	16,125	16,125	13,758	-	(2,367)
Federal sources	1,342,000	1,342,000	1,414,692	-	72,692
Total Revenues	<u>1,677,075</u>	<u>1,677,075</u>	<u>1,683,252</u>	<u>-</u>	<u>6,177</u>
Expenditures:					
Support services	202,343	202,343	158,225	-	44,118
Noninstructional services	1,601,449	1,601,450	1,471,086	(1)	130,364
Total Expenditures	<u>1,803,792</u>	<u>1,803,793</u>	<u>1,629,311</u>	<u>(1)</u>	<u>174,482</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(126,717)</u>	<u>(126,718)</u>	<u>53,941</u>	<u>(1)</u>	<u>180,659</u>
Other Financing Sources (Uses):					
Other financing sources	250	250	-	-	(250)
Operating transfers out	(40,000)	(40,000)	(40,000)	-	-
Other financing uses	(250)	(250)	-	-	250
Total Other Financing Sources (Uses)	<u>(40,000)</u>	<u>(40,000)</u>	<u>(40,000)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(166,717)</u>	<u>(166,718)</u>	<u>13,941</u>	<u>(1)</u>	<u>180,659</u>
Fund Balances:					
July 1, 2017	265,335	587,586	587,586	322,251	-
Increase (decrease) in inventory	-	6,662	6,661	6,662	(1)
June 30, 2018	<u>\$ 98,618</u>	<u>427,530</u>	<u>608,188</u>	<u>328,912</u>	<u>180,658</u>

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

CALHOUN COUNTY SCHOOL DISTRICT

Budgetary Comparison Schedule
 Title I A Basic Fund
 For the Year Ended June 30, 2018

Exhibit 3

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 664,070	1,218,166	981,209	554,096	(236,957)
Total Revenues	<u>664,070</u>	<u>1,218,166</u>	<u>981,209</u>	<u>554,096</u>	<u>(236,957)</u>
Expenditures:					
Instruction	603,392	993,761	845,313	(390,369)	148,448
Support services	60,678	140,082	87,247	(79,404)	52,835
Noninstructional services		20,376	10,550	(20,376)	9,826
Total Expenditures	<u>664,070</u>	<u>1,154,219</u>	<u>943,110</u>	<u>(490,149)</u>	<u>211,109</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>63,947</u>	<u>38,099</u>	<u>63,947</u>	<u>(25,848)</u>
Other Financing Sources (Uses):					
Operating transfers in		35,154	35,154	35,154	-
Operating transfers out		(69,454)	(73,253)	(69,454)	(3,799)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(34,300)</u>	<u>(38,099)</u>	<u>(34,300)</u>	<u>(3,799)</u>
Net Change in Fund Balances	<u>-</u>	<u>29,647</u>	<u>-</u>	<u>29,647</u>	<u>(29,647)</u>
Fund Balances:					
July 1, 2017	<u>(357,225)</u>	<u>-</u>	<u>-</u>	<u>357,225</u>	<u>-</u>
June 30, 2018	<u><u>\$(357,225)</u></u>	<u><u>29,647</u></u>	<u><u>-</u></u>	<u><u>386,872</u></u>	<u><u>(29,647)</u></u>

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

CALHOUN COUNTY SCHOOL DISTRICT

Budgetary Comparison Schedule

EHA IDEA Part B Fund

For the Year Ended June 30, 2018

Exhibit 4

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 407,140	687,327	635,072	280,187	(52,255)
Total Revenues	<u>407,140</u>	<u>687,327</u>	<u>635,072</u>	<u>280,187</u>	<u>(52,255)</u>
Expenditures:					
Instruction	151,325	265,790	249,346	(114,465)	16,444
Support services	255,815	420,538	385,726	(164,723)	34,812
Noninstructional services	-	999	0	(999)	999
Total Expenditures	<u>407,140</u>	<u>687,327</u>	<u>635,072</u>	<u>(280,187)</u>	<u>52,255</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>0</u>	<u>0</u>
Fund Balances:					
July 1, 2017	-	-	-	0	0
June 30, 2018	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>0</u>	<u>0</u>

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

Calhoun County School District

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

PERS

Last 10 Fiscal Years*

	2018	2017	2016	2015
District's proportionate share of the net pension liability	\$ 31,012,603	33,127,072	28,866,940	22,002,373
District's proportion of the net pension liability	0.186560%	0.185456%	0.186744%	0.181266%
District's covered payroll	11,967,898	11,864,063	11,666,711	11,076,305
District's proportionate share of the net pension liability as a percentage of its covered payroll	259.13%	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	61.49%	57.47%	61.70%	67.21%

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

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

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

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

		2018	2017	2016	2015
Contractually required contribution	\$	<u>1,877,459</u>	<u>1,884,944</u>	<u>1,868,590</u>	<u>1,837,507</u>
Contributions in relation to the contractually required contribution		1,877,459	1,884,944	1,868,590	1,837,507
Contribution deficiency (excess)	\$	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
District's covered payroll		11,920,375	11,967,898	11,864,063	11,666,711
Contributions as a percentage of covered payroll		15.75%	15.75%	15.75%	15.75%

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

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

Calhoun County School District

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

OPEB

Last 10 Fiscal Years*

		2018
District's proportionate share of the net OPEB liability	\$	<u>2,181,819</u>
District's proportion of the net OPEB liability		0.27807739%
District's covered-employee payroll		12,493,252 **
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll		17.46%
Plan fiduciary net position as a percentage of the total OPEB liability		0.00%

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.

** The amount used to calculate this figure was based on the Plan's covered payroll as of the measurement date.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

Calhoun County School District
Schedule of District Contributions
OPEB
Last 10 Fiscal Years*

	2018	
Contractually required contribution	\$ <u>93,014</u>	**
Contributions in relation to the contractually required contribution	93,014	**
Contribution deficiency (excess)	\$ <u><u>-</u></u>	
District's covered-employee payroll	6,491,816	
Contributions as a percentage of covered-employee payroll	1.43%	

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 75 was implemented in FYE 6/30/18, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

** The amounts reflected above only pertains to the Implicit Rate Subsidy as it relates to contributions.

Calhoun County School District

Notes to the Required Supplementary Information For the Year Ended June 30, 2018

Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *Changes 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%.

2017:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the

Calhoun County School District

Notes to the Required Supplementary Information For the Year Ended June 30, 2018

Mortality Table for disabled lives.

The wage inflation assumption was reduced from 3.75% to 3.25%.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

(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.

(3) *Method and assumptions used in calculations of actuarially determined contributions.*

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2015 valuation for the June 30, 2017 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	33.9 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

OPEB Schedules

(1) *Changes of assumptions*

2017:

The discount rate was changed from 3.01% for the prior Measurement Date to 3.56% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017:

None.

Calhoun County School District

Notes to the Required Supplementary Information For the Year Ended June 30, 2018

- (3) *Methods and assumptions used in calculation of Actuarially Determined Contributions.* The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2016 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2017:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price Inflation	3 percent
Salary increases, including wage inflation	3.25 percent to 18.50 percent
Initial health care cost trend rates Medicare Supplement Claims Pre-Medicare	7.75 percent
Ultimate health care cost trend rates Medicare Supplement Claims Pre-Medicare	5.00 percent
Year of ultimate trend rates Medicare Supplement Claims Pre-Medicare	2022
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56 percent

- (4) Under GASB 75, employers are also required to consider any implicit subsidy that may be occurring. Medical costs generally increase with advancing age. Therefore, the medical costs for the retiree group are higher than the medical costs for the employee group, even taking Medicare into account. Stated another way, when a plan includes both employees and retirees, the blended premiums are almost always higher than what the premiums would be for employees, and lower than what the premiums would be for retirees, if each group were rated separately. The premium rate difference is referred to as the implicit rate subsidy.

SUPPLEMENTARY INFORMATION

CALHOUN COUNTY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2018

Federal Grantor/ Pass-through Grantor/ Program Title/	Pass-through Entity Identifying Number	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U. S. Department of Agriculture</u>			
Passed-through the Mississippi Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	185MS326N1099	10.553	\$ 357,044
National School Lunch Program	185MS326N1099	10.555	1,057,647
Total child nutrition cluster			1,414,691
Total passed-through the Mississippi Department of Education			1,414,691
Total U.S. Department of Agriculture			1,414,691
<u>U. S. Department of Defense</u>			
Direct Program:			
Flood Control Projects		12.106	46,341
Total U.S. Department of Defense			46,341
<u>U. S. Department of Education</u>			
Passed-through the Mississippi Department of Education:			
Title I Grants to Local Educational Agencies	ES010A170024	84.010	1,123,107
Career and Technical Education - Basic Grants to States	V048A170024	84.048	31,291
Rural Education	ES358B170024	84.358	15,735
English Language Acquisition Grants	ES365A170024	84.365	10,269
Supporting Effective Instruction State Grants	ES367A170023	84.367	58,867
Student Support and Academic Enrichment Program	ES424A170025	84.424	19,676
Subtotal			1,258,945
Special Education Cluster:			
Special Education - Grants to States	H027A170108	84.027	635,072
Positive Behavior Specialists	H027A170108	84.027A	4,953
Special Education - Preschool Grants	H173A170113	84.173	16,321
Total Special Education Cluster			656,346
Total passed-through the Mississippi Department of Education			1,915,291
Total U.S. Department of Education			1,915,291
<u>U. S. Department of Health and Human Services</u>			
Passed-through the Mississippi Department of Education:			
Medical Assistance Program	1805MS5ADM	93.778	13,356
Total passed-through the Mississippi Department of Education			13,356
Total U.S. Department of Health and Human Services			13,356
<u>U. S. Department of Homeland Security</u>			
Passed-through the Mississippi Emergency Management Agency:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	013-053C1-00	97.036	7,736
Total U.S. Department of Homeland Security			7,736
Total for All Federal Awards			\$ 3,397,415

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

Calhoun County School District

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2018

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the school district under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the school district, it is not intended to and does not present the financial position, changes in net position, or cash flows of the school district.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) Indirect Cost Rate

The school district has not elect to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Other Items

Donated commodities of \$113,159 are included in the National School Lunch Program.

CALHOUN COUNTY SCHOOL DISTRICT

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2018

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits \$	16,490,825	12,558,020	821,074	1,089,490	2,022,241
Other	4,890,390	981,034	149,938	30,004	3,729,414
Total	\$ 21,381,215	13,539,054	971,012	1,119,494	5,751,655
Total number of students *	2,202				
Cost per student	\$ 9,710	6,149	441	508	2,612

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 functions: 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

OTHER INFORMATION

CALHOUN COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

General Fund

Last Four Years

	2018	2017*	2016*	2015*
Revenues:				
Local sources	\$ 4,040,211	3,927,018	3,706,919	3,518,522
State sources	12,454,744	13,485,109	13,395,098	13,163,538
Federal sources	229,277	439,816	613,502	250,933
Sixteenth section sources	56,189	16,120	22,103	29,182
Total Revenues	<u>16,780,421</u>	<u>17,868,063</u>	<u>17,737,622</u>	<u>16,962,175</u>
Expenditures:				
Instruction	9,805,039	11,082,670	11,573,827	11,009,180
Support services	5,682,081	5,969,199	5,969,355	6,069,388
Noninstructional services	97,950	108,208	103,909	96,942
Total Expenditures	<u>15,585,070</u>	<u>17,160,077</u>	<u>17,647,091</u>	<u>17,175,510</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>1,195,351</u>	<u>707,986</u>	<u>90,531</u>	<u>(213,335)</u>
Other Financing Sources (Uses):				
Insurance recovery	212,776	74,739	-	430
Sale of transportation equipment	-	-	14,000	17,627
Operating transfers in	43,973	40,946	44,246	42,994
Operating transfers out	(827,326)	(14,197)	(53,401)	(8,715)
Total Other Financing Sources (Uses)	<u>(570,577)</u>	<u>101,488</u>	<u>4,845</u>	<u>52,336</u>
Net Change in Fund Balances	624,774	809,474	95,376	(160,999)
Fund Balances:				
July 1, Beginning, as previously reported	3,090,836	2,281,362	2,185,986	2,030,024
Fund reclassification	-	-	-	316,961
July 1, Beginning, as restated	<u>3,090,836</u>	<u>2,281,362</u>	<u>2,185,986</u>	<u>2,346,985</u>
June 30,	<u>\$ 3,715,610</u>	<u>3,090,836</u>	<u>2,281,362</u>	<u>2,185,986</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

CALHOUN COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
 All Governmental Funds
 Last Four Years

"UNAUDITED"

	2018	2017*	2016*	2015*
Revenues:				
Local sources	\$ 4,567,597	4,453,423	4,218,672	4,054,256
State sources	13,445,433	14,012,367	13,918,531	13,690,696
Federal sources	3,436,918	3,593,106	3,814,383	3,332,562
Sixteenth section sources	63,314	25,445	23,496	31,185
Total Revenues	<u>21,513,262</u>	<u>22,084,341</u>	<u>21,975,082</u>	<u>21,108,699</u>
Expenditures:				
Instruction	12,089,978	12,116,570	12,564,213	11,839,931
Support services	6,733,527	6,881,760	6,939,242	7,162,147
Noninstructional services	1,579,586	1,573,891	1,590,767	1,642,344
Sixteenth section	6,425	16,075	8,880	8,600
Debt service:				
Principal	878,000	535,000	510,000	495,000
Interest	91,561	111,145	129,899	148,023
Other	2,138	1,350	1,350	1,250
Total Expenditures	<u>21,381,215</u>	<u>21,235,791</u>	<u>21,744,351</u>	<u>21,297,295</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>132,047</u>	<u>848,550</u>	<u>230,731</u>	<u>(188,596)</u>
Other Financing Sources (Uses):				
Insurance recovery	212,776	74,739	-	430
Sale of transportation equipment	-	-	14,000	17,627
Operating transfers in	975,733	281,921	198,766	310,507
Operating transfers out	<u>(975,733)</u>	<u>(281,921)</u>	<u>(198,766)</u>	<u>(310,507)</u>
Total Other Financing Sources (Uses)	<u>212,776</u>	<u>74,739</u>	<u>14,000</u>	<u>18,057</u>
Net Change in Fund Balances	344,823	923,289	244,731	(170,539)
Fund Balances:				
July 1	4,865,968	3,943,988	3,694,756	3,858,174
Increase (Decrease) in inventory	6,661	(1,309)	4,501	7,121
June 30,	<u>\$ 5,217,452</u>	<u>4,865,968</u>	<u>3,943,988</u>	<u>3,694,756</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Calhoun County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Calhoun County School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Calhoun County School District's basic financial statements, and have issued our report thereon dated February 12, 2019.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
February 12, 2019

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Report on Compliance for Each Major Federal Program

We have audited Calhoun County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Calhoun County School District's major federal program for the year ended June 30, 2018. The Calhoun County School District's major federal program is identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Calhoun County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
February 12, 2019

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Calhoun County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Calhoun County School District as of and for the year ended June 30, 2018, which collectively comprise Calhoun County School District's basic financial statements and have issued our report thereon dated February 12, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
February 12, 2019

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Calhoun County School District

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2018

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Education Agencies

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000.
9. Auditee qualified as low-risk auditee? Yes.
10. Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.511(b). No.

Section II: Financial Statements Findings

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

Section III: Federal Award Findings and Questioned Costs

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