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HOLLY SPRINGS SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2018

# HOLLY SPRINGS SCHOOL DISTRICT

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## INDEPENDENT AUDITORS' REPORT

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## INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
Holly Springs 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 Holly Springs School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Holly Springs School District's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Holly Springs 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.



## ***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 6-13, 47-48, 49-50 and 51-52, 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 `Holly Springs 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 January 21, 2019, on our consideration of the Holly Springs 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 Holly Springs 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 Holly Springs School District's internal control over financial reporting and compliance.

*JD CPA, PLLC*

**JD CPA, PLLC**  
Madison, Mississippi  
January 21, 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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HOLLY SPRINGS SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018

The following discussion and analysis of Holly Springs 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 \$1,506,344, including a prior period adjustment of (\$1,236,975), which represents a 23.12% decrease from fiscal year 2017. Total net position for 2017 decreased \$935,256 which represents a 16.76% decrease from fiscal year 2016.
- General revenues amounted to \$11,427,372 and \$12,325,112, or 78.5% and 78.93% 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 \$3,121,908, or 21.5% of total revenues for 2018, and \$3,289,973, or 21.07 % of total revenues for 2017.
- The District had \$14,818,649 and \$16,550,341 in expenses for fiscal years 2018 and 2017; only \$3,121,908 for 2018 and \$3,289,973 for 2017 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$11,427,372 for 2018 and \$12,325,112 for 2017 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$10,292,144 in revenues and \$9,861,749 in expenditures for 2018, and \$11,109,579 in revenues and \$10,320,528 in expenditures in 2017. The General Fund's fund balance decreased by \$86,067 from 2017 to 2018 and increased by \$221,747 from 2016 to 2017.
- Capital assets, net of accumulated depreciation, increased by \$565,525 for 2018 and decreased by \$884,862 for 2017. The increase for 2018 was due to the addition of building improvements coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$267,050 for 2018 and decreased by \$914,517 for 2017. This increase for 2018 was due primarily to the issuance of limited tax note and principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$2,833 for 2018 and decreased by \$7,536 for 2017.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

### **Government-wide Financial Statements**

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

The Statement of Net Position presents information on all the District's nonfiduciary assets, deferred outflows, 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, 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 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.

## **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 \$8,021,084 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.

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**

	<b>June 30, 2018</b>	<b>June 30, 2017</b>	<b>Percentage Change</b>
Current assets	\$ 4,619,011	\$ 5,053,829	-8.60 %
Restricted assets	10,845	135,875	-92.02 %
Capital assets, net	17,279,512	16,713,987	3.38 %
<b>Total assets</b>	<b>21,909,368</b>	<b>21,903,691</b>	<b>0.03 %</b>
 <b>Deferred outflows of resources</b>	 <b>1,806,808</b>	 <b>3,882,763</b>	 <b>-53.47 %</b>
Current liabilities	553,052	666,288	-17.00 %
Long-term debt outstanding	10,770,309	11,040,192	-2.44 %
Net OPEB liability	1,236,191	-	N/A %
Net pension liability	18,119,501	19,827,373	-8.61 %
<b>Total liabilities</b>	<b>30,679,053</b>	<b>31,533,853</b>	<b>-2.71 %</b>
 <b>Deferred inflows of resources</b>	 <b>1,058,207</b>	 <b>767,341</b>	 <b>37.91 %</b>
 <b>Net position:</b>			
Net investment in capital assets	6,575,434	5,924,859	10.98 %
Restricted	1,177,045	1,364,209	-13.72 %
Unrestricted	(15,773,563)	(13,803,808)	14.27 %
<b>Total net position</b>	<b>\$ (8,021,084)</b>	<b>\$ (6,514,740)</b>	<b>23.12 %</b>

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)	\$ (15,773,563)
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	18,607,091
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	\$ 2,833,528

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

- Implementation of GASB 75 which resulted in the recognition of a net OPEB liability in the amount of \$1,236,191.
- Increase in net capital assets in the amount of \$565,525.
- The principal retirement of \$267,050 of long-term debt.
- Recognition of the net pension liability in the amount of \$18,119,501.

#### **Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2018 and June 30, 2017 were \$14,549,280 and \$15,615,085, respectively. The total cost of all programs and services was \$14,818,649 for 2018 and \$16,550,341 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.



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

	<b>Year Ended June 30, 2018</b>	<b>Year Ended June 30, 2017</b>	<b>Percentage Change</b>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 228,072	\$ 223,806	1.91 %
Operating grants and contributions	2,893,836	3,066,167	(5.62) %
General revenues:			
Property taxes	4,603,179	4,627,036	(0.52) %
Grants and contributions not restricted	6,759,403	7,517,187	(10.08) %
Investment earnings	48,326	43,984	9.87 %
Other	16,464	136,905	(87.97) %
<b>Total revenues</b>	<b>14,549,280</b>	<b>15,615,085</b>	<b>(6.83) %</b>
<b>Expenses:</b>			
Instruction	6,463,262	6,748,794	(4.23) %
Support services	5,012,462	5,619,729	(10.81) %
Non-instructional	1,124,615	957,540	17.45 %
Pension expense	1,719,629	2,023,215	(15.01) %
OPEB expense	62,418	-	N/A
Donation of West Street property	-	754,182	(100.00) %
Interest on long-term liabilities	436,263	446,881	(2.38) %
<b>Total expenses</b>	<b>14,818,649</b>	<b>16,550,341</b>	<b>(10.46) %</b>
<b>Increase (Decrease) in net position</b>	<b>(269,369)</b>	<b>(935,256)</b>	<b>71.20 %</b>
<b>Net Position, July 1, as previously reported</b>	<b>(6,514,740)</b>	<b>(5,579,484)</b>	<b>(16.76) %</b>
<b>Prior Period Adjustment</b>	<b>(1,236,975)</b>	<b>-</b>	<b>N/A %</b>
<b>Net Position, July 1, as restated</b>	<b>(7,751,715)</b>	<b>(5,579,484)</b>	<b>(38.93) %</b>
<b>Net Position, June 30</b>	<b>\$ (8,021,084)</b>	<b>\$ (6,514,740)</b>	<b>(23.12) %</b>

### Governmental activities

The following table presents the cost of six major District functional activities: instruction, support services, non-instructional, 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**

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2018</b>	<b>2017</b>	
Instruction	\$ 6,463,262	\$ 6,748,794	(4.23) %
Support services	5,012,462	5,619,729	(10.81) %
Non-instructional	1,124,615	957,540	17.45 %
Pension Expense	1,719,629	2,023,215	(15.01) %
OPEB Expense	62,418	-	N/A %
Donation of West Street property	-	754,182	(100.00) %
Interest on long-term liabilities	436,263	446,881	(2.38) %
<b>Total expenses</b>	<b>\$ 14,818,649</b>	<b>\$ 16,550,341</b>	<b>(10.46) %</b>

  

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2018</b>	<b>2017</b>	
Instruction	\$ (5,410,684)	\$ (5,752,184)	(5.94) %
Support services	(3,921,274)	(4,422,386)	(11.33) %
Non-instructional	(174,897)	107,988	(261.96) %
Pension Expense	(1,719,629)	(2,023,215)	(15.01) %
OPEB Expense	(62,418)	-	N/A %
Donation of West Street property	-	(754,182)	(100.00) %
Interest on long-term liabilities	(407,839)	(416,409)	(2.06) %
<b>Total net (expense) revenue</b>	<b>\$ (11,696,741)</b>	<b>\$ (13,260,388)</b>	<b>(11.79) %</b>

- Net cost of governmental activities (\$11,696,741 for 2018 and \$13,260,388 for 2017) was financed by general revenue, which is primarily made up of property taxes (\$4,603,179 for 2018 and \$4,627,036 for 2017) and state and federal revenues (\$6,759,403 for 2018 and \$7,517,187 for 2017).
- Investment earnings amounted to \$48,326 for 2018 and \$43,984 for 2017.

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

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$4,207,737, a decrease of \$458,500, which includes a prior period adjustment of \$(6,297) and a decrease in inventory of \$4,047. \$2,899,759 or 68.9% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$1,307,978 or 31.1% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$86,067, which includes a prior period adjustment of \$(9,107). The fund balance of Other Governmental Funds showed a decrease in the amount of \$372,433, which includes a prior period adjustment of \$2,810 and a decrease in reserve for inventory of \$4,047, due primarily to the retirement of two bond issues. There was no change in the fund balance for the other major fund as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I - Basic	no increase or decrease

## BUDGETARY HIGHLIGHTS

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

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2018, the District's total capital assets were \$25,571,267, including land, school buildings, building improvements, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$1,124,844 from 2017. Total accumulated depreciation as of June 30, 2018, was \$8,291,755, and total depreciation expense for the year was \$615,619, resulting in total net capital assets of \$17,279,512.

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

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 227,020	\$ 227,020	0.00 %
Construction in Progress	21,649	17,150	26.23 %
Buildings	13,994,608	14,344,073	(2.44) %
Building improvements	2,508,160	1,491,348	68.18 %
Improvements other than buildings	76,653	83,132	(7.79) %
Mobile equipment	308,075	374,772	(17.80) %
Furniture and equipment	143,347	176,492	(18.78) %
<b>Total</b>	<b>\$ 17,279,512</b>	<b>\$ 16,713,987</b>	<b>3.38 %</b>

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 \$10,770,309 in outstanding long-term debt, of which \$418,367 is due within one year. The liability for compensated absences decreased \$2,833 from the prior year.

The District maintains an AA-stable bond rating.

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

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 8,970,000	\$ 9,165,000	(2.13) %
Premiums/Discounts	152,558	162,092	(5.88) %
General obligation refunding bonds payable	-	225,000	(100.00) %
Premiums/Discounts	-	3,408	(100.00) %
Limited obligation refunding bonds payable	-	535,000	(100.00) %
Premiums/Discounts	-	5,400	(100.00) %
Three mill notes payable	944,000	182,000	418.68 %
Qualified school construction bonds payable	637,520	693,228	(8.04) %
Compensated absences payable	66,231	69,064	(4.10) %
<b>Total</b>	<u><b>\$ 10,770,309</b></u>	<u><b>\$ 11,040,192</b></u>	<b>(2.44) %</b>

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

## **CURRENT ISSUES**

The Holly Springs 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 finance internal controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

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

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Holly Springs School District, 840 Highway 178 East, Holly Springs, Mississippi 38635.

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## FINANCIAL STATEMENTS

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**HOLLY SPRINGS SCHOOL DISTRICT**

**Statement of Net Position**  
**June 30, 2018**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 3,554,894
Due from other governments	413,234
Other receivables, net	41,975
Inventories	9,886
Prepaid items	599,022
Restricted assets	10,845
Capital assets, non-depreciable:	
Land	227,020
Construction in progress	21,649
Capital assets, net of accumulated depreciation:	
Buildings	13,994,608
Building improvements	2,508,160
Improvements other than buildings	76,653
Mobile equipment	308,075
Furniture and equipment	143,347
Total Assets	<u>21,909,368</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows - pensions	1,748,066
Deferred outflows - OPEB	58,742
Total deferred outflows of resources	<u>1,806,808</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	422,119
Due to other governments	
Interest payable on long-term liabilities	130,933
Long-term liabilities, due within one year:	
Capital related liabilities	418,367
Net OPEB liability	50,635
Long-term liabilities, due beyond one year:	
Capital related liabilities	10,285,711
Non-capital related liabilities	66,231
Net pension liability	18,119,501
Net OPEB liability	1,185,556
Total Liabilities	<u>30,679,053</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	995,261
Deferred inflows - OPEB	62,946
Total deferred inflows of resources	<u>1,058,207</u>
<b>Net Position</b>	
Net investment in capital assets	6,575,434
Restricted for:	
Expendable:	
School-based activities	775,060
Debt service	18,832
Capital improvements	352,144
Unemployment benefits	31,009
Unrestricted	(15,773,563)
Total Net Position	<u>\$ (8,021,084)</u>

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



**HOLLY SPRINGS SCHOOL DISTRICT**

**Statement of Activities**

**Exhibit B**

**For the Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
		Services	Grants and	Changes in
			Contributions	Net Position
				Governmental
				Activities
Governmental Activities:				
Instruction	\$ 6,463,262	\$ 199,648	\$ 852,930	\$ (5,410,684)
Support services	5,012,462		1,091,188	(3,921,274)
Non-instructional	1,124,615		949,718	(174,897)
Pension expense	1,719,629			(1,719,629)
OPEB expense	62,418			(62,418)
Interest on long-term liabilities	436,263	28,424		(407,839)
Total Governmental Activities	<u>\$ 14,818,649</u>	<u>\$ 228,072</u>	<u>\$ 2,893,836</u>	<u>\$ (11,696,741)</u>

General Revenues:

Taxes:

General purpose levies 3,600,050

Debt purpose levies 1,003,129

Unrestricted grants and contributions:

State 6,732,327

Federal 27,076

Unrestricted investment earnings 48,326

Other 16,464

Total General Revenues 11,427,372

Change in Net Position (269,369)

Net Position - Beginning, as previously reported (6,514,740)

Prior Period Adjustments (1,236,975)

Net Position - Beginning, as restated (7,751,715)

Net Position - Ending \$ (8,021,084)

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

**HOLLY SPRINGS SCHOOL DISTRICT**

**Governmental Funds**

**Balance Sheet**

**Exhibit C**

**June 30, 2018**

	Major Funds		Other	Total
	General	Title I - Basic	Governmental	Governmental
	Fund	Fund	Funds	Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 2,872,864	\$	\$ 682,030	\$ 3,554,894
Cash with fiscal agents			10,845	10,845
Due from other governments	121,413	157,365	134,456	413,234
Other receivables, net	27,945	470		28,415
Due from other funds	170,685	124	11,543	182,352
Advance to other funds	9,297			9,297
Inventories			9,886	9,886
Prepaid items	204,478		394,544	599,022
Total assets	3,406,682	157,959	1,243,304	4,807,945
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 293,148	\$ 29,328	\$ 99,643	\$ 422,119
Due to other funds		128,631	40,161	168,792
Advances from other funds			9,297	9,297
Total Liabilities	293,148	157,959	149,101	600,208
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Inventory			9,886	9,886
Advances	9,297			9,297
Prepaid items	204,478		394,544	599,022
<b>Restricted:</b>				
Debt service			149,765	149,765
Capital projects				
Unemployment benefits			31,009	31,009
<b>Assigned:</b>				
Capital improvements			352,144	352,144
School Activities			156,855	156,855
<b>Unassigned</b>	2,899,759			2,899,759
Total Fund Balances	3,113,534		1,094,203	4,207,737
Total Liabilities and Fund Balances	\$ 3,406,682	\$ 157,959	\$ 1,243,304	\$ 4,807,945

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

**HOLLY SPRINGS SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2018**

**Exhibit C-1**

**Total fund balances for governmental funds** \$ 4,207,737

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

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

Land	\$ 227,020	
Construction in progress	21,649	
Buildings	18,453,662	
Building improvements	3,433,979	
Improvements other than buildings	161,975	
Mobile equipment	1,609,817	
Furniture and equipment	1,663,165	
Accumulated depreciation	<u>(8,291,755)</u>	17,279,512

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

Net pension liability	(18,119,501)
-----------------------	--------------

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

Deferred outflows of resources related to pensions	1,748,066	
Deferred inflows of resources related to pensions	<u>(995,261)</u>	752,805

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

Net OPEB liability	(1,236,191)
--------------------	-------------

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

Deferred outflows of resources related to OPEB	58,742	
Deferred inflows of resources related to OPEB	<u>(62,946)</u>	(4,204)

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

General obligation bonds	(8,970,000)	
Notes payable	(944,000)	
Qualified school construction bonds	(637,520)	
Compensated absences	(66,231)	
Unamortized premiums	(152,558)	
Accrued interest payable	<u>(130,933)</u>	<u>(10,901,242)</u>

**Net Position of governmental activities** \$ (8,021,084)

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

**HOLLY SPRINGS SCHOOL DISTRICT**

**Governmental Funds**

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2018**

**Exhibit D**

	Major Funds		Other	Total
	General	Title I - Basic	Governmental	Governmental
	Fund	Fund	Funds	Funds
<b>Revenues:</b>				
Local sources	\$ 3,804,807	\$ -	\$ 1,062,810	\$ 4,867,617
State sources	6,455,114	-	718,211	7,173,325
Federal sources	32,223	783,109	1,693,006	2,508,338
Total Revenues	10,292,144	783,109	3,474,027	14,549,280
<b>Expenditures:</b>				
Instruction	5,426,385	393,177	821,166	6,640,728
Support services	4,319,535	430,282	566,926	5,316,743
Noninstructional services		56,667	1,109,427	1,166,094
Facilities acquisition and construction	115,829		1,042,841	1,158,670
Debt service:				
Principal			1,348,708	1,348,708
Interest			458,791	458,791
Other			7,702	7,702
Total Expenditures	9,861,749	880,126	5,355,561	16,097,436
Excess (Deficiency) of Revenues over (under) Expenditures	430,395	(97,017)	(1,881,534)	(1,548,156)
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued			1,100,000	1,100,000
Operating transfers in	24,927	103,313	532,282	660,522
Operating transfers out	(532,282)	(6,296)	(121,944)	(660,522)
Total Other Financing Sources (Uses)	(507,355)	97,017	1,510,338	1,100,000
Net Change in Fund Balances	(76,960)	-	(371,196)	(448,156)
<b>Fund Balances:</b>				
July 1, 2017, as previously reported	3,199,601		1,466,636	4,666,237
Prior period adjustments	(9,107)		2,810	(6,297)
July 1, 2017, as restated	3,190,494	-	1,469,446	4,659,940
Increase (Decrease) in reserve for inventory			(4,047)	(4,047)
June 30, 2018	\$ 3,113,534	\$ -	\$ 1,094,203	\$ 4,207,737

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

**HOLLY SPRINGS SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2018**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ (448,156)

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

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

Capital outlay	\$ 1,234,537	
Depreciation expense	<u>(663,784)</u>	570,753

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

(5,228)

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

Bonds and notes issued	(1,100,000)	
Payments of debt principal	588,708	
Payments on refunded bonds	760,000	
Accrued interest payable	<u>11,888</u>	260,596

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

Pension expense	(1,719,629)	
Contributions subsequent to the measurement date	<u>1,064,884</u>	(654,745)

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

OPEB expense	(62,418)	
Contributions subsequent to the measurement date	<u>52,701</u>	(9,717)

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

Change in compensated absences	2,833	
Change in inventory reserve	(4,047)	
Amortization of deferred charges, premiums and discounts	<u>18,342</u>	<u>17,128</u>

**Change in Net Position of governmental activities** \$ (269,369)

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

HOLLY SPRINGS SCHOOL DISTRICT

**Fiduciary Funds**

**Statement of Fiduciary Assets and Liabilities**  
**June 30, 2018**

**Exhibit E**

	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 623,938
Due from other funds	307
Total Assets	<u>\$ 624,245</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 561,549
Due to other funds	13,867
Due to student clubs	48,829
Total Liabilities	<u>\$ 624,245</u>

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

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

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

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

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

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

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a



HOLLY SPRINGS SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2018

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.

Title I – Basic Fund – This fund is federally funded to provide supplemental funds for the education of the district's disadvantaged students.

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 is used to account for all payroll transactions including salaries and wages, withholding, employee benefits, and payroll taxes.

Accounts Payable Clearing Fund – This fund is used to account for the payment of claims against the school district.

Student Club Funds – these funds are used to account for student club activities at each of the five schools which comprise the district.

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

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

#### 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.

HOLLY SPRINGS SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2018

Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

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

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

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

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

**D. Encumbrances**

An encumbrance system is maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported

HOLLY SPRINGS SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2018

within committed or assigned fund balances.

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

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

**Cash and cash equivalents**

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

**Investments**

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

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

Investments for the district are reported at fair market value.

**2. Receivables and payables**

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

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

**3. Due from Other Governments**

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

**4. Inventories and Prepaid Items**

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

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.

HOLLY SPRINGS SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2018

5. Restricted Assets

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

6. Capital Assets

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

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

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 district has two deferred outflows of resources: pensions and OPEB.

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 district has two deferred inflows of resources: pensions and OPEB. See Note 13 for further details.

HOLLY SPRINGS SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2018

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

11. 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. Fiduciary net position was zero as of the measurement date of June 30, 2017. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

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

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assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

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

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal vote is the formal action that is required to be taken by Board to establish the commitment. 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 school board policy.

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

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

The board of the Holly Springs School District formally adopted the Minimum Unassigned Fund Balance policy (Policy DGA) which states that the goal of the District is to achieve and maintain an unassigned fund balance in the General Fund at fiscal year-end of no less than 7% of all revenues (functions 0000-5999). If the unassigned balances at fiscal year-end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

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

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

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

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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 \$ 4,178,832.

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

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$10,845.

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

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

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

Receivable Fund	Payable Fund	Amount
General Fund	Title I - Basic	\$ 128,631
	Other governmental funds	33,014
	Fiduciary funds	9,040
Title I - Basic	Fiduciary funds	124
Other governmental funds	Other governmental funds	7,147
	Fiduciary funds	4,396
Fiduciary funds	Fiduciary funds	307
Total		<u>\$ 182,659</u>

The purpose of the interfund loans were to cover federal funds and/or ad valorem taxes not received prior to fiscal year end, interest earned in fiduciary fund bank accounts, and voided checks remaining in fiduciary funds.

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

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	\$ <u>9,297</u>

The advances were made to the Food Service Fund to cover shortfalls in prior years.

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**C. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 532,282
Title I - Basic	General Fund	6,296
Other governmental funds	General Fund	18,631
	Title I - Basic	103,313
Total		<u>\$ 660,522</u>

The principal purpose of the interfund transfers was to provide for daily operations. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

**Note 4 – Restricted Assets**

In addition, the restricted assets represent the cash with fiscal agent totaling \$10,845 of the MAEP Limited Obligation Bond/Note Fund.

**Note 5 – Capital Assets**

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

	Balance 7/1/2017	Increases	Decreases	Adjustment	Balance 6/30/2018
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 227,020	\$	\$	\$	\$ 227,020
Construction-in-progress	17,150	497,127	492,628		21,649
Total non-depreciable capital assets	<u>244,170</u>	<u>497,127</u>	<u>492,628</u>	<u>-</u>	<u>248,669</u>
<u>Depreciable capital assets:</u>					
Buildings	18,453,662				18,453,662
Building improvements	2,279,808	1,154,171			3,433,979
Improvements other than buildings	161,975				161,975
Mobile equipment	1,655,722		45,905		1,609,817
Furniture and equipment	1,651,086	27,215	63,788	48,652	1,663,165
Total depreciable capital assets	<u>24,202,253</u>	<u>1,181,386</u>	<u>109,693</u>	<u>48,652</u>	<u>25,322,598</u>
<u>Less accumulated depreciation for:</u>					
Buildings	4,109,589	349,465			4,459,054
Building improvements	788,460	137,359			925,819
Improvements other than buildings	78,843	6,479			85,322
Mobile equipment	1,280,950	62,107	41,315		1,301,742
Furniture and equipment	1,474,594	60,209	63,150	48,165	1,519,818
Total accumulated depreciation	<u>7,732,436</u>	<u>615,619</u>	<u>104,465</u>	<u>48,165</u>	<u>8,291,755</u>
Total depreciable capital assets, net	<u>16,469,817</u>	<u>565,767</u>	<u>5,228</u>	<u>487</u>	<u>17,030,843</u>
Governmental activities capital assets, net	<u>\$ 16,713,987</u>	<u>\$ 1,062,894</u>	<u>\$ 497,856</u>	<u>\$ 487</u>	<u>\$ 17,279,512</u>



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Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 502,211
Support services	100,362
Non-instructional	13,046
Total depreciation expense - Governmental activities	<u>\$ 615,619</u>

The capital assets above include significant amounts of buildings which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

The adjustment was for assets omitted in prior years.

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

	Spent to June 30, 2018	Remaining Commitment
<b>Governmental Activities:</b>		
Central Office roof	\$ <u>16,778</u>	\$ <u>4,871</u>

Construction projects included in governmental activities are funded with \$1,100,000 Limited Tax Note.

### 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	Additions	Reductions	Balance 6/30/2018	Amounts due within one year
A. General obligation bonds payable	\$ 9,165,000	\$	\$ 195,000	\$ 8,970,000	\$ 205,000
General obligation refunding bonds payable	225,000		225,000	-	
Premiums/Discounts	165,500		12,942	152,558	
B. Limited obligation refunding bonds payable	535,000		535,000	-	
Premiums/Discounts	5,400		5,400	-	
C. Three mill notes payable	182,000	1,100,000	338,000	944,000	155,000
D. Qualified school construction bonds payable	693,228		55,708	637,520	58,367
E. Compensated absences payable	69,064		2,833	66,231	
Total	<u>\$ 11,040,192</u>	<u>\$ 1,100,000</u>	<u>\$ 1,369,883</u>	<u>\$ 10,770,309</u>	<u>\$ 418,367</u>

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**A. General obligation bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Refunding bonds, series 2009	4.00%	6/1/2009	6/18/2018	\$ 1,785,000	-
Capital Projects-Intermediate					
School Bond	3.5-4.75%	8/1/2013	8/1/2033	9,750,000	\$ 8,970,000
Total				<u>11,535,000</u>	<u>8,970,000</u>

The following is a schedule by years of the payments due on the GO-Intermediate School Construction Bond, Series 2013:

1. General obligation bond issue of August 1, 2013:

Year Ending June 30	Principal	Interest	Total
2019	\$ 205,000	\$ 373,075	\$ 578,075
2020	450,000	361,612	811,612
2021	465,000	345,600	810,600
2022	485,000	328,975	813,975
2023	500,000	310,488	810,488
2024 – 2028	2,250,000	1,036,934	3,286,934
2029 – 2033	3,365,000	686,978	4,051,978
2034 – 2038	1,250,000	52,969	1,302,969
Total	<u>\$ 8,970,000</u>	<u>\$ 3,496,631</u>	<u>\$ 12,466,631</u>

This debt will be retired from the GO-Intermediate School Construction Bond Fund

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2018, the amount of outstanding bonded indebtedness was equal to 13% of property assessments as of October 1, 2017.

**B. Limited obligation bonds payable**

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

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Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds, Series 2009	3.50%	5/15/2009	2/1/2018	\$ <u>2,190,000</u>	\$ <u>-</u>

This debt was paid off during fiscal year 2018 from the MAEP Refunding Bond Fund.

**C. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Note	2.125-2.3%	8/11/2017	6/1/2024	\$ <u>1,100,000</u>	\$ <u>944,000</u>

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

1. Three mill notes payable issue of August 11, 2017:

Year Ending June 30	Principal	Interest	Total
2019	\$ 155,000	\$ 20,967	\$ 175,967
2020	158,000	17,627	175,627
2021	161,000	14,191	175,191
2022	164,000	10,649	174,649
2023	153,000	7,000	160,000
2024	153,000	3,519	156,519
Total	\$ <u>944,000</u>	\$ <u>73,953</u>	\$ <u>1,017,953</u>

This debt will be retired from the 2017 Three Mill Note fund.

**D. Qualified school construction bonds payable**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Energy efficiency lease purchase	4.77%	06/29/2012	06/29/2027	\$ <u>935,961</u>	\$ <u>637,520</u>

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

Year Ending June 30	Principal	Interest	Total
2019	\$ 58,367	\$ 30,410	\$ 88,777
2020	61,151	27,626	88,777
2021	64,068	24,709	88,777
2022	67,124	21,653	88,777
2023	70,325	18,452	88,777
2024 – 2027	316,485	38,618	355,103
Total	<u>\$ 637,520</u>	<u>161,468</u>	<u>798,988</u>

This debt will be retired from the QSCB Sinking Fund (Debt Service Fund).

**E. Compensated absences payable**

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

**Note 7 – Defined Benefit Pension Plan**

**General Information about the Pension Plan**

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

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

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**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 \$1,064,884, \$1,101,057 and \$1,120,334, 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 \$18,119,501 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 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 0.109 percent, which was based on a measurement date of June 30, 2017. This was a decrease of 0.002 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 \$1,719,629. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual Experience	\$	\$ 132,213
Net difference between projected and actual earnings on pension plan investments	664,677	
Changes of assumptions	18,505	
Changes in proportion and differences between District contributions and proportionate share of contributions		863,048
District contributions subsequent to the measurement date	1,064,884	
Total	\$ <u>1,748,066</u>	\$ <u>995,261</u>

\$1,064,884 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	\$ (94,683)
2020	148,959
2021	(16,354)
2022	(350,001)

**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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Inflation	3.00 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-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
U.S. Broad	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	<u>100</u>	<u>%</u>		

**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-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 23,764,933	\$ 18,119,501	\$ 13,432,563

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*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 issue a stand-alone financial report.

### *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 \$52,701 for the year ended June 30, 2018.

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**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 \$1,236,191 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 employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2017, the District's proportion was .15755510 percent. This was an increase of .00086971 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 \$62,418. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$	\$
Changes of assumptions		62,946
Net difference between projected and actual earnings on OPEB plan investments		
Changes in proportion and differences between District contributions and proportionate share of contributions	6,041	
District contributions subsequent to the measurement date	52,701	
Total	\$ <u>58,742</u>	\$ <u>62,946</u>

\$52,701 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	\$ (9,983)
2020	(9,983)
2021	(9,983)
2022	(9,983)
2023	(9,983)
Thereafter	(6,990)

*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:



HOLLY SPRINGS SCHOOL DISTRICT  
Notes to the Financial Statements  
For 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
Pre-Medicare	ultimate 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.

*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

HOLLY SPRINGS SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2018

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	\$ 1,268,838	\$ 1,236,191	\$ 1,211,879

*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	\$ 1,141,706	\$ 1,236,191	\$ 1,344,057

*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.

## Note 9 – Prior Period Adjustments

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

### Exhibit B - Statement of Activities

Implementation of GASB 75 - Net OPEB Liability	\$ (1,230,678)
To correct prior year revenue and expenses	(6,297)
Total	\$ (1,236,975)

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

Fund	Explanation	Amount
General Fund	Insurance adjustment	\$ (1,287)
General Fund	Revenue correction	(7,820)
Other governmental funds	Revenue correction	2,810
Total		\$ (6,297)

HOLLY SPRINGS SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2018

**Note 10 – Contingencies**

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

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 – 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. 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.

**Note 12 – Qualified School Construction Bonds**

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

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. For the year ended June 30, 2018, the subsidy payments amounted to \$28,424.

HOLLY SPRINGS SCHOOL DISTRICT  
Notes to the Financial Statements  
For Year Ended June 30, 2018

**Note 13 – Effect of Deferred Amounts on Net Position**

The unrestricted net position amount of \$(15,773,563) includes the effect of deferring the recognition of expense resulting from a deferred outflow of pensions and a deferred outflow for OPEB and the effect of deferring the recognition of revenues resulting from a deferred inflow of pensions and a deferred inflow of OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$52,701 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

Other amounts reported as deferred outflows of resources totaling \$6,041 and deferred inflows of resources totaling \$62,946 related to OPEB at June 30, 2018, will be recognized in OPEB expense over the next 6 years.

The unrestricted net position (deficit) amount of \$(15,773,563) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$1,064,884 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The \$683,182 balance of the deferred outflow of resources related to pensions at June 30, 2018 will be recognized as pension expense and will decrease the unrestricted net position amount over the next 3 years. The \$995,261 balance of the deferred inflow of resources related to pensions at June 30, 2018 will be recognized as a reduction of pension expense and will increase the unrestricted net position amount over the next 4 years.

**Note 14 – Subsequent Events**

Events that occur after the Statement of Net Position/Balance Sheet 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/Balance Sheet date require disclosure in the accompanying notes. Management of the School District evaluated the activity of the School District through January 21, 2019 and determined that no events requiring disclosure have occurred.

## REQUIRED SUPPLEMENTARY INFORMATION

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**HOLLY SPRINGS SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 3,558,124	\$ 3,804,807	\$ 3,804,807	\$ 246,683	\$ -
State sources	6,237,918	6,455,114	6,455,114	217,196	-
Federal sources	142,930	32,223	32,223	(110,707)	-
Total Revenues	9,938,972	10,292,144	10,292,144	353,172	-
<b>Expenditures:</b>					
Instruction	6,157,248	5,426,385	5,426,385	730,863	-
Support services	4,821,388	4,319,535	4,319,535	501,853	-
Facilities acquisition and construction		115,829	115,829	(115,829)	-
Total Expenditures	10,978,636	9,861,749	9,861,749	1,116,887	-
Excess (Deficiency) of Revenues over (under) Expenditures	(1,039,664)	430,395	430,395	1,470,059	-
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	1,773,406	1,574,664	24,927	(198,742)	(1,549,737)
Operating transfers out	(2,166,517)	(2,082,019)	(532,282)	84,498	1,549,737
Total Other Financing Sources (Uses)	(393,111)	(507,355)	(507,355)	(114,244)	-
Net Change in Fund Balances	(1,432,775)	(76,960)	(76,960)	1,355,815	-
<b>Fund Balances:</b>					
July 1, 2017, as previously reported	3,295,907	3,199,601	3,199,601	(96,306)	-
Prior period adjustments		(9,107)	(9,107)	(9,107)	-
July 1, 2017, as restated	3,295,907	3,190,494	3,190,494	(105,413)	-
June 30, 2018	\$ 1,863,132	\$ 3,113,534	\$ 3,113,534	\$ 1,250,402	\$ -

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

**HOLLY SPRINGS SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**Major Fund - Title I - Basic**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 948,553	\$ 783,109	\$ 783,109	\$ (165,444)	\$ -
Total Revenues	948,553	783,109	783,109	(165,444)	-
<b>Expenditures:</b>					
Instruction	441,036	393,177	393,177	47,859	-
Support services	492,374	430,282	430,282	62,092	-
Noninstructional services	59,277	56,667	56,667	2,610	-
Total Expenditures	992,687	880,126	880,126	112,561	-
Excess (Deficiency) of Revenues over (under) Expenditures	(44,134)	(97,017)	(97,017)	(52,883)	-
<b>Other Financing Sources (Uses):</b>					
Operating transfers in		103,313	103,313	103,313	-
Operating transfers out		(6,296)	(6,296)	(6,296)	-
Total Other Financing Sources (Uses)	-	97,017	97,017	97,017	-
Net Change in Fund Balances	(44,134)	-	-	44,134	-
Fund Balances:					
July 1, 2017	-	-	-	-	-
June 30, 2018	\$ (44,134)	\$ -	\$ -	\$ 44,134	\$ -

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



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

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
District's proportion of the net pension liability	0.109%	0.111%	0.113%	0.121%
District's proportionate share of the net pension liability	\$ 18,119,501	19,827,373	17,467,572	14,687,185
District's covered payroll	6,990,830	7,113,226	7,074,584	7,392,260
District's proportionate share of the net pension liability as a percentage of its covered payroll	259.19%	278.74%	246.91%	198.68%
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 Statement No. 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

**HOLLY SPRINGS SCHOOL DISTRICT**  
**Required Supplementary Information**

**SCHEDULE OF DISTRICT CONTRIBUTIONS**

**PERS**

**Last 10 Fiscal Years**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	1,064,884	1,101,057	1,120,334	1,114,247
Contributions in relation to the contractually required contribution	\$ 1,064,884	1,101,057	1,120,334	1,114,247
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	6,761,168	6,990,830	7,113,226	7,074,584
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 Statement No. 68 was implemented in FYE 6/30/2015, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

**HOLLY SPRINGS SCHOOL DISTRICT**  
**Required Supplementary Information**

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

**OPEB**

**Last 10 Fiscal Years\***

	<u>2018</u>
District's proportion of the net OPEB liability	0.15755510%
District's proportionate share of the net OPEB liability	\$ 1,236,191
District's covered payroll	7,078,517
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	-

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, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

**HOLLY SPRINGS SCHOOL DISTRICT**  
**Required Supplementary Information**

**SCHEDULE OF DISTRICT CONTRIBUTIONS**

**OPEB**

**Last 10 Fiscal Years**

	<u><b>2018</b></u>
Contractually required contribution	\$ 52,701
Contributions in relation to the contractually required contribution	\$ 52,701
Contribution deficiency (excess)	<u>\$ -</u>
District's covered payroll	6,761,168
Contributions as a percentage of covered payroll	0.78%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No.75 was implemented in FYE 6/30/2018, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

HOLLY SPRINGS SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2018

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *Changes of assumptions*

2015:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

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

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016:

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

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 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%.

HOLLY SPRINGS SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2018

(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

(3) *Methods and assumptions used in calculations 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	37.9 percent to 18.50 percent
Initial health care cost trend rates	
Medicare Supplement Claims	7.75 percent
Pre-Medicare	

HOLLY SPRINGS SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2018

Ultimate health care cost trend rates	
Medicare Supplement Claims	5.00 percent
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2022
Pre-Medicare	
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56 percent

## SUPPLEMENTARY INFORMATION



**HOLLY SPRINGS SCHOOL DISTRICT**

**Supplementary Information**

**Schedule of Expenditures of Federal Awards**

**For the Year Ended June 30, 2018**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	185MS326N1099	\$ 321,058
National school lunch program	10.555	185MS326N1099	637,826
Summer food service program for children	10.559	185MS326N1099	34,569
Total child nutrition cluster			<u>993,453</u>
Total passed-through Mississippi Department of Education			<u>993,453</u>
<b>Total U.S. Department of Agriculture</b>			<u><b>993,453</b></u>
<b><u>U.S. Department of Defense</u></b>			
Direct Program:			
Reserve Officers' Training Corps	12.xxx	N/A	<u>5,147</u>
<b>Total U.S. Department of Defense</b>			<u><b>5,147</b></u>
<b><u>U.S. Department of Education</u></b>			
Passed-through Mississippi Department of Rehabilitation Service			
Rehabilitation services - vocational rehabilitation grants to state	84.126	N/A	<u>714</u>
Total passed-through Mississippi Department of Rehabilitation Services			<u>714</u>
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	ES010A170024	783,109
Career and technical education - basic grants to states	84.048	V048A170024	25,571
Rural education	84.358	ES358B170024	15,616
Supporting Effective Instruction State Grants	84.367	ES367A170023	168,877
School improvement grant	84.377	ES377A150025	30,318
Student support and academic enrichment	84.424	ES424A170025	10,152
Subtotal			<u>1,033,643</u>
Special education cluster:			
Special education - grants to states	84.027	H027A170108	429,523
Special education - preschool grants	84.173	H173A170113	33,709
Total special education cluster			<u>463,232</u>
Total passed-through Mississippi Department of Education			<u>1,496,875</u>
<b>Total U.S. Department of Education</b>			<u><b>1,497,589</b></u>
<b><u>U.S. Department of Health and Human Services</u></b>			
Passed-through Mississippi Department of Education			
Medicaid cluster:			
Medical assistance program	93.778	1805MS5ADM	<u>12,149</u>
Total Medicaid cluster			<u>12,149</u>
Total passed-through Mississippi Department of Education			<u>12,149</u>
Passed-through the Mississippi Department of Education:			
<b>Total U.S. Department of Health and Human Services</b>			<u><b>12,149</b></u>
<b>Total for All Federal Awards</b>			<u><b>\$ 2,508,338</b></u>

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

# HOLLY SPRINGS SCHOOL DISTRICT

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

### Schedule of Expenditures of Federal Awards

#### (37)Basis of Presentation

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

#### (2) Summary of Significant Accounting Policies

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

#### (3) Indirect Cost Rate

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

**HOLLY SPRINGS SCHOOL DISTRICT**

**Supplementary Information**

**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	\$ 9,363,086	6,645,198	796,698	782,144	1,139,046
Other	6,734,350	1,441,285	288,956	21,816	4,982,293
Total	<u>\$ 16,097,436</u>	<u>8,086,483</u>	<u>1,085,654</u>	<u>803,960</u>	<u>6,121,339</u>
Total number of students *	<u>1,302</u>				
Cost per student	<u>\$ 12,364</u>	<u>6,211</u>	<u>834</u>	<u>617</u>	<u>4,702</u>

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

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

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

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

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

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

## OTHER INFORMATION

**HOLLY SPRINGS SCHOOL DISTRICT**

**Other Information**

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

**General Fund**

**Last Four Years**

**UNAUDITED**

	2018	2017*	2016*	2015*
<b>Revenues:</b>				
Local sources	\$ 3,804,807	\$ 3,908,276	\$ 3,628,394	\$ 3,519,937
State sources	6,455,114	7,137,854	7,101,827	6,842,583
Federal sources	32,223	63,449	280,387	160,294
Total Revenues	10,292,144	11,109,579	11,010,608	10,522,814
<b>Expenditures:</b>				
Instruction	5,426,385	5,739,476	5,705,586	5,795,258
Support services	4,319,535	4,429,652	4,444,238	3,975,309
Facilities acquisition and construction	115,829	151,400		
Total Expenditures	9,861,749	10,320,528	10,149,824	9,770,567
Excess (Deficiency) of Revenues over (under) Expenditures	430,395	789,051	860,784	752,247
<b>Other Financing Sources (Uses):</b>				
Insurance recovery				11,219
Sale of transportation equipment		1,500		9,200
Sale of other property		1,000		
Operating transfers in	24,927	22,295	24,594	29,049
Operating transfers out	(532,282)	(592,099)	(528,645)	(510,870)
Total Other Financing Sources (Uses)	(507,355)	(567,304)	(504,051)	(461,402)
Net Change in Fund Balances	(76,960)	221,747	356,733	290,845
<b>Fund Balances:</b>				
Beginning of period, as previously reported	3,199,601	2,977,854	2,621,121	2,330,276
Prior period adjustments	(9,107)			
Beginning of period, as restated	3,190,494	2,977,854	2,621,121	2,330,276
End of Period	\$ 3,113,534	\$ 3,199,601	\$ 2,977,854	\$ 2,621,121

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**HOLLY SPRINGS SCHOOL DISTRICT**

**Other Information**

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

**All Governmental Funds**

**Last Four Years**

**UNAUDITED**

	2018	2017*	2016*	2015*
<b>Revenues:</b>				
Local sources	\$ 4,867,617	\$ 5,001,258	\$ 4,651,552	\$ 4,542,701
State sources	7,173,325	7,821,256	7,713,027	7,418,826
Federal sources	2,508,338	2,792,571	3,118,346	3,060,657
Total Revenues	14,549,280	15,615,085	15,482,925	15,022,184
<b>Expenditures:</b>				
Instruction	6,640,728	7,003,069	7,006,701	7,181,611
Support services	5,316,743	5,907,831	5,656,459	5,244,191
Noninstructional services	1,166,094	1,036,409	1,035,779	1,059,415
Facilities acquisition and construction	1,158,670	355,779	6,196,390	2,766,792
Debt service:				
Principal	1,348,708	896,173	700,752	683,441
Interest	458,791	468,194	487,156	717,182
Other	7,702	5,723	5,757	6,790
Total Expenditures	16,097,436	15,673,178	21,088,994	17,659,422
Excess (Deficiency) of Revenues over (under) Expenditures	(1,548,156)	(58,093)	(5,606,069)	(2,637,238)
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	1,100,000		360,000	
Insurance recovery				11,219
Sale of transportation equipment		1,500		9,200
Sale of other property		1,000		
Operating transfers in	660,522	705,433	553,239	892,919
Operating transfers out	(660,522)	(705,433)	(553,239)	(892,919)
Other financing uses		(484)		
Total Other Financing Sources (Uses)	1,100,000	2,016	360,000	20,419
Net Change in Fund Balances	(448,156)	(56,077)	(5,246,069)	(2,616,819)
<b>Fund Balances:</b>				
Beginning of period, as previously reported	4,666,237	4,725,218	9,992,165	12,610,584
Prior period adjustments	(6,297)		(19,283)	
Beginning of period, as restated	4,659,940	4,725,218	9,972,882	12,610,584
Increase (Decrease) in reserve for inventory	(4,047)	(2,904)	(1,595)	(1,600)
End of Period	\$ 4,207,737	\$ 4,666,237	\$ 4,725,218	\$ 9,992,165

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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P.O. Box 41  
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INDEPENDENT AUDITORS' 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  
Holly Springs 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 Holly Springs School District, as of and for the year ended June 30, 2018, and the related notes to financial statements, which collectively comprise Holly Springs School District's basic financial statements, and have issued our report thereon dated January 21, 2019.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Holly Springs 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 Holly Springs School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Holly Springs School District's internal control.

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Holly Springs 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.

*JD CPA, PLLC*

**JD CPA, PLLC**  
Madison, Mississippi  
January 21, 2019



P.O. Box 41  
Madison, MS 39130  
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Superintendent and School Board  
Holly Springs School District

**Report on Compliance for Major Federal Program**

We have audited Holly Springs School District compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Holly Springs School District's major federal programs for the year ended June 30, 2018. Holly Springs School District's major federal programs are identified in the summary of independent auditors' results section of the accompanying summary schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for Holly Springs 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 could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Holly Springs School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

## Opinion on Each Major Federal Program

In our opinion, Holly Springs 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 programs for the year ended June 30, 2018.

## Report on Internal Control Over Compliance

Management of Holly Springs School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Holly Springs 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 its 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 Holly Springs School District's internal control over compliance.

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

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

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

*JD CPA, PLLC*

**JD CPA, PLLC**  
Madison, Mississippi  
January 21, 2019

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

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P.O. Box 41  
Madison, MS 39130  
T: 662-582-1825

INDEPENDENT AUDITORS' REPORT  
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board  
Holly Springs School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Holly Springs School District as of and for the year ended June 30, 2018, which collectively comprise Holly Springs School District's basic financial statements and have issued our report thereon dated January 21, 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 insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

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

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

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

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

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

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

*JD CPA, PLLC*

JD CPA, PLLC  
Madison, Mississippi  
January 21, 2019

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS



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HOLLY SPRINGS SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COST  
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? (Yes/No)                     | No            |
| b. | Significant deficiency(ies) identified? (Yes/None reported)    | None reported |
| 3. | Noncompliance material to financial statements noted? (Yes/No) | No            |

Federal Awards:

- |                     |  |                     |   |        |  |  |
|---------------------|--|---------------------|---|--------|--|--|
| 4.                  | Internal control over major programs:  |                     |   |        |  |  |
| a.                  | Material weakness(es) identified? (Yes/No)   | No                  |   |        |  |  |
| b.                  | Significant deficiency(ies) identified? (Yes/None reported)  | None reported       |   |        |  |  |
| 5.                  | Type of auditor's report issued on compliance for major programs:  | Unmodified          |   |        |  |  |
| 6.                  | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? (Yes/No)  | No                  |   |        |  |  |
| 7.                  | Identification of major programs:  |                     |   |        |  |  |
|                     | <table border="0" style="width: 100%;"> <tr> <td style="width: 40%;"><u>CFDA Numbers</u></td> <td style="width: 60%;"><u>Name of Federal Program or Cluster</u></td> </tr> <tr> <td>84.010</td> <td>Title I grants to local educational agencies</td> </tr> </table> | <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> | 84.010 | Title I grants to local educational agencies |  |
| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u>  |                     |   |        |  |  |
| 84.010              | Title I grants to local educational agencies   |                     |   |        |  |  |
| 8.                  | Dollar threshold used to distinguish between type A and type B programs:   | \$750,000           |   |        |  |  |
| 9.                  | Auditee qualified as low-risk auditee? (Yes/No)  | Yes                 |   |        |  |  |
| 10.                 | Prior fiscal year audit findings(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 2CFR 200.511(b). (Yes/No)   | No                  |   |        |  |  |

HOLLY SPRINGS SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COST  
FOR THE YEAR ENDED JUNE 30, 2018

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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