



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



NATCHEZ-ADAMS SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2018

# NATCHEZ-ADAMS SCHOOL DISTRICT

## TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	7
MANAGEMENT’S DISCUSSION AND ANALYSIS	12
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Exhibit A – Statement of Net Position	25
Exhibit B – Statement of Activities	26
Governmental Funds Financial Statements	
Exhibit C – Balance Sheet	27
Exhibit C-1 – Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	28
Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances	29
Exhibit D-1 – Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	30
Fiduciary Funds Financial Statements	
Exhibit E – Statement of Fiduciary Assets and Liabilities	31
Notes to the Financial Statements	32
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund	61
Budgetary Comparison Schedule – Sixteen Section Interest Fund	62
Schedule of the District’s Proportionate Share of the Net Pension Liability	63
Schedule of District Contributions (PERS)	64
Schedule of the District’s Proportionate Share of the Net OPEB Liability	65
Schedule of District Contributions (OPEB)	66
Notes to the Required Supplementary Information	67
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	71
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds	74
OTHER INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years	76
Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years	77

REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government     Auditing Standards</i>	80
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	82
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	86
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	90
AUDITEE'S CORRECTIVE ACTION PLAN AND SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS	94

## INDEPENDENT AUDITOR'S REPORT

(This page left blank intentionally)

## INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
Natchez-Adams 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 Natchez-Adams School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Natchez-Adams 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 Natchez-Adams 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 12-21, and 61-66, 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 Natchez-Adams 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 March 17, 2019 on our consideration of the Natchez-Adams 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 Natchez-Adams 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 Natchez-Adams School District's internal control over financial reporting and compliance.

*The Gillen Group, PLLC*

Natchez, Mississippi  
March 17, 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(This page left blank intentionally)

The following discussion and analysis of Natchez-Adams 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 \$8,746,639, including a prior period adjustment of \$3,708,107, which represents a 154% decrease from fiscal year 2017. Total net position for 2017 decreased \$1,890,147, including a prior period adjustment of \$1,135,432, which represents a 49.1% decrease from fiscal year 2016.
- General revenues amounted to \$30,088,852 and \$31,082,806, or 78% and 78% 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 \$8,487,625, or 22% of total revenues for 2018, and \$8,612,383, or 22% of total revenues for 2017.
- The District had \$43,615,009 and \$42,720,768 in expenses for fiscal years 2018 and 2017; only \$8,487,625 for 2018 and \$8,612,383 for 2017 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$30,088,852 for 2018 and \$31,082,806 for 2017, were not adequate to provide for these programs.
- Among major funds, the General Fund had \$29,713,103 in revenues and \$29,917,511 in expenditures for 2018, and \$29,677,686 in revenues and \$30,050,742 in expenditures in 2017. The General Fund's fund balance decreased by \$552,160 from 2017 to 2018, and decreased by \$608,504 from 2016 to 2017.
- Capital assets, net of accumulated depreciation, increased by \$181,437 for 2018 and increased by \$1,377,300 for 2017. The increase for 2018 was due to the addition construction in progress and mobile equipment of \$666,007 coupled with the increase in accumulated depreciation.
- Long-term debt, exclusive of pensions and other post-employment benefits, decreased by \$1,480,000 for 2018 and decreased by \$1,066,294 for 2017. This decrease for 2018 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$81,068 for 2018 and increased by \$1,871 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, sixteenth section, pension expense, OPEB expense, and interest on long-term liabilities.

## **Fund Financial Statements**

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the 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 \$14,423,739 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	\$ 9,154,314	\$ 11,306,195	-19.03 %
Restricted assets	18,651,738	18,976,190	-1.71 %
Capital assets, net	14,388,922	14,207,485	1.28 %
<b>Total assets</b>	<b><u>42,194,974</u></b>	<b><u>44,489,870</u></b>	<b>-5.16 %</b>
<b>Deferred outflows of resources</b>	<b><u>9,164,721</u></b>	<b><u>9,488,103</u></b>	<b>-3.41 %</b>
Current liabilities	2,286,163	3,909,873	-41.53 %
Long-term debt outstanding	456,350	373,163	22.29 %
Net OPEB liability	3,406,618	-	N/A %
Net pension liability	54,054,288	54,485,438	-0.79 %
<b>Total liabilities</b>	<b><u>60,203,419</u></b>	<b><u>58,768,474</u></b>	<b>2.44 %</b>
Deferred inflows of resources	5,580,015	886,599	529.37 %
Net position:			
Net investment in capital assets	14,388,922	12,727,485	13.054 %
Restricted	19,330,300	21,623,569	-10.61 %
Unrestricted	(48,142,961)	(40,028,154)	20.273 %
<b>Total net position</b>	<b><u>\$ (14,423,739)</u></b>	<b><u>\$ (5,677,100)</u></b>	<b>154.07 %</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)	\$ (48,142,961)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the related deferred outflows and deferred inflows	<u>54,020,455</u>
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 5,877,494</u>

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

- Increase in net capital assets in the amount of \$181,437.
- The principal retirement of \$1,480,000 of long-term debt.
- Implementation of GASB 75 which resulted in the recognition of a net OPEB liability in the amount of \$3,550,873.

## Changes in Net Position

The District's total revenues for the fiscal years ended June 30, 2018 and June 30, 2017 were \$38,576,477 and \$39,695,189, respectively. The total cost of all programs and services was \$43,615,009 for 2018 and \$42,720,768 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	\$ 637,240	\$ 565,820	12.62 %
Operating grants and contributions	7,814,009	8,046,563	(2.89) %
Capital Grants and Contributions	36,376	-	N/A %
General revenues:			
Property taxes	13,150,658	12,861,883	2.25 %
Grants and contributions not restricted	16,483,624	17,019,269	(3.15) %
Investment earnings	21,038	18,630	12.93 %
Sixteenth section sources	225,485	703,142	(67.93) %
Other	208,047	479,882	(56.65) %
<b>Total revenues</b>	<b>38,576,477</b>	<b>39,695,189</b>	<b>(2.82) %</b>
<b>Expenses:</b>			
Instruction	16,424,506	15,773,124	4.13 %
Support services	16,327,392	17,144,459	(4.77) %
Non-instructional	2,765,651	2,678,759	3.24 %
Sixteenth section	380	13,227	(97.13) %
Pension expense	7,889,328	7,037,500	12.10 %
OPEB expense	192,782	-	N/A %
Interest on long-term liabilities	14,970	73,699	(79.69) %
<b>Total expenses</b>	<b>43,615,009</b>	<b>42,720,768</b>	<b>2.09 %</b>
<b>Increase (Decrease) in net position</b>	<b>(5,038,532)</b>	<b>(3,025,579)</b>	<b>66.53 %</b>
<b>Net Position, July 1, as previously reported</b>	<b>(5,677,100)</b>	<b>(3,786,953)</b>	<b>49.91 %</b>
<b>Prior Period Adjustment</b>	<b>(3,708,107)</b>	<b>1,135,432</b>	<b>(426.58) %</b>
<b>Net Position, July 1, as restated</b>	<b>(9,385,207)</b>	<b>(2,651,521)</b>	<b>253.96 %</b>
<b>Net Position, June 30</b>	<b>\$ (14,423,739)</b>	<b>\$ (5,677,100)</b>	<b>154.07 %</b>

## Governmental Activities

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

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

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2018</b>	<b>2017</b>	
Instruction	\$ 16,424,506	\$ 15,773,124	4.13 %
Support services	16,327,392	17,144,459	(4.77) %
Non-instructional	2,765,651	2,678,759	3.24 %
Sixteenth section	380	13,227	(97.13) %
Pension Expense	7,889,328	7,037,500	12.10 %
OPEB Expense	192,782	-	N/A %
Interest on long-term liabilities	14,970	73,699	(79.69) %
<b>Total expenses</b>	<b>\$ 43,615,009</b>	<b>\$ 42,720,768</b>	<b>2.09 %</b>

  

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2018</b>	<b>2017</b>	
Instruction	\$ (10,677,361)	\$ (10,305,151)	3.61 %
Support services	(16,225,409)	(17,032,546)	(4.74) %
Non-instructional	(127,154)	353,738	(135.95) %
Sixteenth section	(380)	(13,227)	(97.13) %
Pension Expense	(7,889,328)	(7,037,500)	12.10 %
OPEB Expense	(192,782)	-	N/A %
Interest on long-term liabilities	(14,970)	(73,699)	(79.69) %
<b>Total net (expense) revenue</b>	<b>\$ (35,127,384)</b>	<b>\$ (34,108,385)</b>	<b>2.99 %</b>

- Net cost of governmental activities (\$35,127,384 for 2018 and \$34,108,385 for 2017) was financed by general revenue, which is primarily made up of property taxes (\$13,150,658 for 2018 and \$12,861,883 for 2017) and state and federal revenues (\$16,483,624 for 2018 and \$17,019,269 for 2017). In addition, there was \$225,485 and \$703,142 in Sixteenth Section sources for 2018 and 2017, respectively.
- Investment earnings amounted to \$21,038 for 2018 and \$18,630 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 \$25,532,699, a decrease of \$2,358,325, which includes a prior period adjustment of \$263,458 and an increase in inventory of \$6,148. \$2,338,454 or 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 \$23,194,245 or 91%, 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 \$552,160, which includes a prior period adjustment of \$285,749 and an increase in the reserve for inventory of \$6,148. The fund balance of the Other Governmental Funds showed a decrease in the amount of \$1,564,083. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Sixteenth Section Interest Fund	\$ 146,772
Sixteenth Section Principal Fund	\$ (388,854)

## 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 the 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 \$31,759,332, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$666,007 from 2017. Total accumulated depreciation as of June 30, 2018, was \$17,370,410, and total depreciation expense for the year was \$484,570, resulting in total net capital assets of \$14,388,922.

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

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
Land	\$ 2,096,402	\$ 2,096,402	0.00 %
Construction in Progress	917,760	382,320	140.05 %
Buildings	9,166,448	9,421,897	(2.71) %
Building improvements	1,573,050	1,681,663	(6.46) %
Improvements other than buildings	231,901	244,122	(5.01) %
Mobile equipment	125,117	63,542	96.90 %
Furniture and equipment	278,244	309,229	(10.02) %
Leased property under capital leases		8,310	(100.00) %
<b>Total</b>	<b><u>\$ 14,388,922</u></b>	<b><u>\$ 14,207,485</u></b>	<b>1.28 %</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 \$312,095 in outstanding long-term debt, of which \$20,000 is due within one year. The liability for compensated absences decreased \$81,068 from the prior year.

The District maintains a AA 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	\$ -	\$ 480,000	(100.00) %
Limited obligation bonds payable	-	1,000,000	(100.00) %
Compensated absences payable	312,095	393,163	(20.62) %
<b>Total</b>	<b><u>\$ 312,095</u></b>	<b><u>1,873,163</u></b>	<b>(83.34) %</b>

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

## **CURRENT ISSUES**

The Natchez-Adams School District continues its commitment to excellence, both in and out of the classroom. It strives to put its students first in all matters. To that end, the District is actively moving forward to modernize and improve its campuses, and make the District the leader in the education industry.

## **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 Natchez-Adams School District, 10 Homochitto Street, Natchez, Mississippi, 39120.

(This page left blank intentionally)

## FINANCIAL STATEMENTS



(This page left blank intentionally)

**NATCHEZ-ADAMS SCHOOL DISTRICT**

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

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 6,938,543
Cash with fiscal agents	-
Investments	-
Due from other governments	1,642,323
Accrued interest receivable	69,666
Other receivables, net	369,404
Inventories	134,378
Prepaid items	-
Restricted assets	18,651,738
Capital assets, non-depreciable:	
Land	2,096,402
Construction in progress	917,760
Capital assets, net of accumulated depreciation:	
Buildings	9,166,448
Building improvements	1,573,050
Improvements other than buildings	231,901
Mobile equipment	125,117
Furniture and equipment	278,244
Leased property under capital leases	-
Total Assets	<u>42,194,974</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows - pensions	8,928,802
Deferred outflows - OPEB	235,919
Total deferred outflows of resources	<u>9,164,721</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	2,273,353
Interest payable on long-term liabilities	12,810
Long-term liabilities, due within one year:	
Capital related liabilities	-
Net OPEB liability, current	144,255
Non-capital related liabilities	20,000
Long-term liabilities, due beyond one year:	
Capital related liabilities	-
Non-capital related liabilities	292,095
Net pension liability	54,054,288
Net OPEB liability	3,406,618
Total Liabilities	<u>60,203,419</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	5,399,206
Deferred inflows - OPEB	180,809
Total deferred inflows of resources	<u>5,580,015</u>
<b>Net Position</b>	
Net investment in capital assets	14,388,922
Restricted for:	
Expendable:	
School-based activities	164,264
Debt service	344
Capital improvements	
Forestry improvements	63,825
Unemployment benefits	151,608
Non-expendable:	
Sixteenth section	18,815,881
Inventories	134,378
Unrestricted	(48,142,961)
Total Net Position	<u>\$ (14,423,739)</u>

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

**NATCHEZ-ADAMS SCHOOL DISTRICT**

**Statement of Activities**

**Exhibit B**

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

					Net (Expense) Revenue and Changes in Net Position
		Program Revenues			
		Charges for	Operating	Capital	
Functions/Programs	Expenses	Services	Grants and Contributions	Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 16,424,506	\$ 416,665	\$ 5,330,480	\$ -	\$ (10,677,361)
Support services	16,327,392	-	101,983	-	(16,225,409)
Non-instructional	2,765,651	220,575	2,381,546	36,376	(127,154)
Sixteenth section	380	-	-	-	(380)
Pension expense	7,889,328	-	-	-	(7,889,328)
OPEB expense	192,782				(192,782)
Interest on long-term liabilities	14,970	-	-	-	(14,970)
Total Governmental Activities	\$ 43,615,009	\$ 637,240	\$ 7,814,009	\$ 36,376	\$ (35,127,384)

General Revenues:

Taxes:

General purpose levies 13,150,544

Debt purpose levies 114

Unrestricted grants and contributions:

State 16,483,624

Unrestricted investment earnings 21,038

Sixteenth section sources 225,485

Other 208,047

Total General Revenues 30,088,852

Change in Net Position (5,038,532)

Net Position - Beginning, as previously reported (5,677,100)

Prior Period Adjustments (3,708,107)

Net Position - Beginning, as restated (9,385,207)

Net Position - Ending \$ (14,423,739)

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

**NATCHEZ-ADAMS SCHOOL DISTRICT**

**Governmental Funds**

**Balance Sheet  
June 30, 2018**

**Exhibit C**

	Major Funds			Other	Total
	General	16th Section	16th Section	Governmental	Governmental
	Fund	Interest Fund	Principal Fund	Funds	Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 4,550,437	\$ 1,580,601	\$ 740,271	\$ 807,506	\$ 7,678,815
Investments	-	-	17,911,467	-	17,911,467
Due from other governments	649,047	-	-	960,837	1,609,884
Accrued interest receivable	-	-	69,666	-	69,666
Other receivables, net	24,516	70,124	10,122	150,037	254,799
Due from other funds	1,883,070	2,094,977	84,354	544,340	4,606,741
Advance to other funds	-	-	202,597	-	202,597
Inventories	88,116	-	-	46,262	134,378
Prepaid items	-	-	-	-	-
Total assets	\$ 7,195,186	\$ 3,745,702	\$ 19,018,477	\$ 2,508,982	\$ 32,468,347
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 1,707,580	\$ -	\$ -	\$ 428,986	\$ 2,136,566
Due to other funds	2,858,439	84,354	-	1,653,692	4,596,485
Advances from other funds	202,597	-	-	-	202,597
Total Liabilities	4,768,616	84,354	-	2,082,678	6,935,648
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Inventory	88,116	-	-	46,262	134,378
Permanent fund principal	-	-	18,815,880	1	18,815,881
Advances	-	-	202,597	-	202,597
<b>Restricted:</b>					
Debt service	-	-	-	344	344
Forestry improvement purposes	-	-	-	63,825	63,825
Grant activities	-	-	-	113,975	113,975
Unemployment benefits	-	-	-	151,608	151,608
<b>Assigned:</b>					
School based activities	-	3,661,348	-	50,289	3,711,637
<b>Unassigned</b>	2,338,454	-	-	-	2,338,454
Total Fund Balances	2,426,570	3,661,348	19,018,477	426,304	25,532,699
Total Liabilities, deferred inflows or resources and Fund Balances	\$ 7,195,186	\$ 3,745,702	\$ 19,018,477	\$ 2,508,982	\$ 32,468,347

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

**NATCHEZ-ADAMS 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** \$ 25,532,699

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	\$ 2,096,402	
Construction in progress	917,760	
Buildings	19,955,477	
Building improvements	5,160,541	
Improvements other than buildings	350,619	
Mobile equipment	419,694	
Furniture and equipment	2,858,839	
Leased property under capital leases	-	
Accumulated depreciation	<u>(17,370,410)</u>	14,388,922

2. Some of the district's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

-

3. 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 (54,054,288)

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	8,928,802	
Deferred inflows of resources related to pensions	<u>(5,399,206)</u>	(50,524,692)

4. 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 (3,550,873)

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	235,919	
Deferred inflows of resources related to OPEB	<u>(180,809)</u>	(3,495,763)

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

Compensated absences	(312,095)	
Accrued interest payable	<u>(12,810)</u>	(324,905)

**Net Position of governmental activities**

\$ (14,423,739)

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

**NATCHEZ-ADAMS SCHOOL DISTRICT**

<b>Governmental Funds</b>					
<b>Statement of Revenues, Expenditures and Changes in Fund Balances</b>					<b>Exhibit D</b>
<b>For the Year Ended June 30, 2018</b>					
	Major Funds			Other	Total
	General	16th Section	16th Section	Governmental	Total
	Fund	Interest Fund	Principal Fund	Funds	Governmental Funds
<b>Revenues:</b>					
Local sources	\$ 13,950,987	\$ -	\$ -	\$ 405,576	\$ 14,356,563
State sources	15,627,319	-	-	1,280,222	16,907,541
Federal sources	134,797	-	-	6,947,607	7,082,404
Sixteenth section sources	-	222,666	398,777	-	621,443
Total Revenues	29,713,103	222,666	398,777	8,633,405	38,967,951
<b>Expenditures:</b>					
Instruction	15,539,944	-	-	3,993,975	19,533,919
Support services	13,734,211	-	-	2,486,003	16,220,214
Noninstructional services	2,082	-	-	2,749,476	2,751,558
Sixteenth section	-	-	-	380	380
Facilities acquisition and construction	641,274	-	-	24,733	666,007
Debt service:					
Principal	-	-	-	1,480,000	1,480,000
Interest	-	-	-	19,546	19,546
Other	-	-	-	1,126	1,126
Total Expenditures	29,917,511	-	-	10,755,239	40,672,750
Excess (Deficiency) of Revenues over (under) Expenditures	(204,408)	222,666	398,777	(2,121,834)	(1,704,799)
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	2,674,592	391,415	-	1,275,448	4,341,455
Operating transfers out	(2,742,743)	(489,600)	(391,415)	(717,697)	(4,341,455)
Other financing uses	-	-	(396,216)	-	(396,216)
Total Other Financing Sources (Uses)	(68,151)	(98,185)	(787,631)	557,751	(396,216)
Net Change in Fund Balances	(272,559)	124,481	(388,854)	(1,564,083)	(2,101,015)
<b>Fund Balances:</b>					
July 1, 2017, as previously reported	2,978,730	3,514,576	19,407,331	1,990,387	27,891,024
Prior period adjustments	(285,749)	22,291	-	-	(263,458)
July 1, 2017, as restated	2,692,981	3,536,867	19,407,331	1,990,387	27,627,566
Increase (Decrease) in reserve for inventory	6,148	-	-	-	6,148
June 30, 2018	\$ 2,426,570	\$ 3,661,348	\$ 19,018,477	\$ 426,304	\$ 25,532,699

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

**NATCHEZ-ADAMS 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** \$ (2,101,015)

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	\$ 666,007	
Depreciation expense	<u>(484,570)</u>	181,437

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

Payments of debt principal	1,480,000	
Accrued interest payable	<u>(5,702)</u>	1,474,298

3. 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	(7,889,328)	
Contributions subsequent to the measurement date	<u>3,259,974</u>	(4,629,354)

4. 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	(192,782)	
Contributions subsequent to the measurement date	<u>141,668</u>	(51,114)

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

Change in compensated absences	81,068	
Change in inventory reserve	<u>6,148</u>	87,216

<b>Change in Net Position of governmental activities</b>		<b><u>\$ (5,038,532)</u></b>
--	--	------------------------------

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

**NATCHEZ-ADAMS SCHOOL DISTRICT**

**Fiduciary Funds**

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

**Exhibit E**

	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 319,962
Due from other funds	103,716
Total Assets	<u>\$ 423,678</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 288,383
Due to other funds	113,972
Due to student clubs	21,323
Total Liabilities	<u>\$ 423,678</u>

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



# NATCHEZ-ADAMS 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 a "primary government." The School District is governed by a five member board to which two are appointed by the Adams County Board of Supervisors and three are appointed by the City of Natchez Board of Aldermen.

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

#### **Blended component unit**

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

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

#### **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

## NATCHEZ-ADAMS SCHOOL DISTRICT

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

for support.

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

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

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

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

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.

Sixteenth Section Interest Fund – This fund contains earnings on Sixteenth Section investments not accounted for in the principal fund.

Sixteenth Section Principal Fund – This fund contains nonexpendable Sixteenth Section funds. Sources include revenues from easements and right-of-ways, permanent damages, sale of sixteenth section lands, sale of non-renewable resources, sale of buildings, and interest. Funds may be used to purchase investments, purchase lieu lands, loans for schools building purposes, forest stand improvements, and purchase of school buses.

## NATCHEZ-ADAMS SCHOOL DISTRICT

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

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

The District's fiduciary funds include the following:

Agency funds – these funds are composed of club funds and clearing funds.

Additionally, the School District reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

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

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

#### FIDUCIARY FUNDS

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

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

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred 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

## NATCHEZ-ADAMS SCHOOL DISTRICT

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

collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

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

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

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

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

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

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

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

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

# NATCHEZ-ADAMS SCHOOL DISTRICT

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

### **D. Encumbrances**

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

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

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

##### Cash and Cash equivalents

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

# NATCHEZ-ADAMS SCHOOL DISTRICT

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

### 3. Due from Other Governments

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

### 4. Inventories and Prepaid Items

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

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

### 5. Restricted Assets

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

# NATCHEZ-ADAMS SCHOOL DISTRICT

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

The following schedule details the capitalization thresholds:

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

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

### 7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows related to pension benefits were and \$8,928,902 and to other post-employment benefits were \$235,919.

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 periods and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows related to pension benefits were \$5,399,206 and to other post-employment benefits were \$180,809.

See Notes 8 and 9 for further details.

### 8. Compensated Absences

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

The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this liability is estimated based on

## NATCHEZ-ADAMS SCHOOL DISTRICT

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

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:



## NATCHEZ-ADAMS SCHOOL DISTRICT

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

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

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

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

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

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

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

It is the policy of the District, adopted May 12, 2011, to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 7% of District maintenance fund revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

## NATCHEZ-ADAMS SCHOOL DISTRICT

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

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

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

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

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

#### **Cash and Cash Equivalents**

The carrying amount of the School District's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$7,678,815 and \$319,962, respectively.

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

# NATCHEZ-ADAMS SCHOOL DISTRICT

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

institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

### Investments

As of June 30, 2018, the District had the following investments:

Investment Type	Rating	Maturities (In years)	Fair Value
Fidelity Money Market	No Rating	Less than 1 year	\$ 445,429
<b>Full Faith and Credit Bonds U.S. Treasury Guaranteed</b>			
SBIC 2012, 2013, & 2017	AAA	5 to 10 years	2,344,242
<b>Government Agency Bonds</b>			
Federal Home Loan Continuous Call	AAA	1 to 5 years	2,266,255
Federal Agri Mortgage Corporation	No Rating	1 to 5 years	244,493
Small Business Admin GTD DEV PTC Bond	No Rating	over 10 years	227,786
<b>Corporate Bonds</b>			
Gate Cap Cayman One LTD Note	No Rating	1 to 5 years	181,436
J P Morgan Chase & Company	A3	1 to 5 years	247,638
U S Bank Association	A1	1 to 5 years	247,705
BB&T Corporation SR Medium Term	A2	1 to 5 years	247,557
General Electric Capital Corporation	A1	1 to 5 years	463,018
J P Morgan Chase & Company Note	A3	1 to 5 years	98,482
PNC Funding Corp Note	A3	1 to 5 years	298,218
<b>Taxable Municipal Bonds</b>			
Choctaw County MS Go Ref Bonds	No Rating	Less than 1 year	104,952
MS State Go Bonds Series 2010D	AA2	Less than 1 year	251,033
MS State Go Bonds Series 2012A	AA2	Less than 1 year	74,876
MS State Go Bonds Series 2012E	AA2	Less than 1 year	149,730
MS Development Bank Special Oblig Bonds	No Rating	1 to 5 years	50,525
MS State Go Bonds Series 2009D	AA2	1 to 5 years	40,960
MS State Go Bonds Series 2015B	AA2	1 to 5 years	49,496
MS Development Bank Special Oblig Bonds	AA	1 to 5 years	118,756
Adams Cnty MS Go INDL Dev Bonds	No Rating	1 to 5 years	105,233
MS Development Bank Special Oblig Bonds	No Rating	1 to 5 years	102,242
Choctaw County MS Go Ref Bonds	No Rating	1 to 5 years	172,405
Choctaw County MS Go Ref Bonds	No Rating	1 to 5 years	97,396
MS Development Bank Special Oblig Bonds	No Rating	1 to 5 years	25,450

# NATCHEZ-ADAMS SCHOOL DISTRICT

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

MS State Go Bonds Series 2017C	AA	5 to 10 years	200,612
Choctaw County MS Go Ref Bonds	No Rating	5 to 10 years	86,959
Starkville MS Go Bonds	AA	5 to 10 years	149,370
MS State Go Bonds Series	AA2	5 to 10 years	181,766
MS Development Bank Special Oblig Bonds	AA	5 to 10 years	237,060
Pearl River Urban Renewal Rev Rev Red	No Rating	5 to 10 years	250,160
Adams Cty MS Taxable GO Ref	No Rating	over 10 years	143,435
MS Home Corp Single Family	AAA	over 10 years	98,083
<b>Mortgage Backed Securities</b>			
Federal National Mortgage Association	No Rating	1 to 5 years	3,547,398
Federal National Mortgage Association	No Rating	5 to 10 years	1,296,122
Freddie Mac Gold POOL	No Rating	Over 10 years	1,882,645
Federal National Mortgage Association POOL	No Rating	Over 10 years	<u>1,182,544</u>
<b>TOTAL</b>			<b><u>\$ 17,911,467</u></b>

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2018:

- Level 1 type of investments of \$17,911,467 are valued using quoted market prices (Level 1 inputs)

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

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

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

*Concentration of Credit Risk.* Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. The District had no investments required to

# NATCHEZ-ADAMS SCHOOL DISTRICT

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

be reported.

### **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	General Fund	\$ 419,321
	Other governmental funds	1,433,969
	Fiduciary funds	29,780
Sixteenth Section Interest Fund	General Fund	2,094,598
	Other governmental funds	379
Sixteenth Section Principal Fund	Sixteenth Section Interest Fund	84,354
Other governmental funds	General Fund	329,321
	Other governmental funds	130,827
	Fiduciary funds	84,192
Fiduciary funds	General Fund	15,199
	Other governmental funds	88,517
Total		<u>\$ 4,710,457</u>

The amounts due to/from other funds represent amounts advanced or received, for timing differences between revenues and expenditures, and loans to cover cash deficits.

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

Receivable Fund	Payable Fund	Amount
Sixteenth Section Principal Fund	General Fund	\$ 202,597
Total		<u>\$ 202,597</u>

The advance from the Sixteenth Section Principal Fund to the General Fund is a loan for capital expenditures and repairs.

Sixteenth section principal loans payable

Note: The sixteenth section principal loans payable are not reflected on the Statement of Net Position because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on the

# NATCHEZ-ADAMS SCHOOL DISTRICT

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

Statement of Revenues, Expenditures and Changes in Fund Balances. The interest rate on the sixteenth section principal loans payable as of June 30, 2018 is 4 percent.

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

Year Ending June 30	Principal	Interest	Total
2019	\$ 38,758	\$ 12,949	\$ 51,707
2020	34,382	6,741	41,123
2021	35,759	5,366	41,125
2022	6,547	3,935	10,482
2023	36,882	15,532	52,414
2024 - 2028	50,269	7,945	58,214
Total	<u>\$ 202,597</u>	<u>\$ 52,468</u>	<u>\$ 255,065</u>

### C. Inter-fund Transfers

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	General Fund	\$ 1,965,996
General Fund	Other Governmental Funds	708,596
Other Governmental Funds	General Fund	776,747
Other Governmental Funds	16th Section Interest Fund	489,600
Other Governmental Funds	Other Governmental Funds	9,101
16th Section Interest Fund	16th Section Principal Fund	<u>391,415</u>
		<u>\$ 4,341,455</u>

The transfers represent operating transfers for school operation and transfers of indirect costs, debt service, and unrestricted Sixteenth Section interest earnings.

### Note 4 – Restricted Assets

The restricted assets represent the cash balance and investment balance, totaling \$740,271 and \$17,911,467, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

# NATCHEZ-ADAMS SCHOOL DISTRICT

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

### **Note 5 – Capital Assets**

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

	Balance 7/1/2017	Increases	Adjustments	Balance 6/30/2018
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 2,096,402	\$ -	\$ -	2,096,402
Construction-in-progress	382,320	535,440	-	917,760
Total non-depreciable capital assets	2,478,722	535,440	-	3,014,162
<u>Depreciable capital assets:</u>				
Buildings	19,955,477	-	-	19,955,477
Building improvements	5,160,541	-	-	5,160,541
Improvements other than buildings	350,619	-	-	350,619
Mobile equipment	284,180	105,834	29,680	419,694
Furniture and equipment	2,834,106	24,733	-	2,858,839
Leased property under capital leases	29,680	-	(29,680)	-
Total depreciable capital assets	28,614,603	130,567	-	28,745,170
<u>Less accumulated depreciation for:</u>				
Buildings	10,533,580	255,449	-	10,789,029
Building improvements	3,478,878	108,613	-	3,587,491
Improvements other than buildings	106,497	12,221	-	118,718
Mobile equipment	220,638	52,569	21,370	294,577
Furniture and equipment	2,524,877	55,718	-	2,580,595
Leased property under capital leases	21,370	-	(21,370)	-
Total accumulated depreciation	16,885,840	484,570	-	17,370,410
Total depreciable capital assets, net	11,728,763	(354,003)	-	11,374,760
Governmental activities capital assets, net	\$ 14,207,485	\$ 181,437	\$ -	14,388,922

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 385,944
Support services	83,530
Non-instructional	15,096
Total depreciation expense - Governmental activities	\$ 484,570

# NATCHEZ-ADAMS SCHOOL DISTRICT

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

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

	Spent to June 30, 2018	Remaining Commitment
<b>Governmental Activities:</b>		
School-wide renovation project	\$ 917,760	\$ -

Construction projects included in governmental activities are funded with local sources.

### 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	\$ 480,000	-	480,000	\$ -	-
B. Limited obligation bonds payable	1,000,000	-	1,000,000	-	-
C. Compensated absences payable	393,163	-	81,068	312,095	20,000
Total	\$ 1,873,163	\$ -	\$ 1,561,068	\$ 312,095	\$ 20,000

#### A. General Obligation Bonds

The general obligation bonds were retired in 2018 from the debt service fund.

#### B. Limited obligation bonds

The limited obligation bonds were retired in 2018 from the debt service fund.

#### C. Compensated Absences Payable

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



# NATCHEZ-ADAMS SCHOOL DISTRICT

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

### Note 7 – Other Commitments

Operating leases:

The School District has several operating leases for the following:

1. Xerox Pool Plan to lease 29 office machines.
2. Pitney Bowes for two postage meters

Lease expenditures for the year ended June 30, 2018, amounted to \$131,733.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2019	\$ 131,733
2020	131,733
2021	131,733
2022	115,690
Total	<u>\$ 510,889</u>

### Note 8 – 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,

## NATCHEZ-ADAMS SCHOOL DISTRICT

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

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.

*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 \$3,250,128, \$3,285,458 and \$3,073,349, 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 \$54,054,288 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 .325173 percent, which was based on a measurement date of June 30, 2017. This was an increase of .020146 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 \$7,889,328. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

# NATCHEZ-ADAMS SCHOOL DISTRICT

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 3,386,144	\$
Net difference between projected and actual earnings on pension plan investments	-	864,005
Changes of assumptions	346,729	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,935,955	4,535,201
District contributions subsequent to the measurement date	3,259,974	-
Total	\$ <u>8,928,802</u>	\$ <u>5,399,206</u>

The \$3,259,974 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	\$70,953
2020	70,953
2021	70,953
2022	56,763
2023	
Thereafter	

*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:

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.

# NATCHEZ-ADAMS SCHOOL DISTRICT

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

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	100.00	%		

*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	\$ 70,896,464	\$ 54,054,288	\$ 40,072,539

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

## NATCHEZ-ADAMS SCHOOL DISTRICT

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

#### **Note 9 – 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.

# NATCHEZ-ADAMS SCHOOL DISTRICT

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

### *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 \$151,379 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$3,550,873 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 .45256598 percent. This was an increase of .01356853 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 \$192,782. 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	-	180,809
Net difference between projected and actual earnings on OPEB plan investments	-	-
Changes in proportion and differences between District contributions and proportionate share of contributions	91,251	-
District contributions subsequent to the measurement date	144,668	-
<b>Total</b>	<b>\$ <u>235,919</u></b>	<b>\$ <u>180,809</u></b>

The \$144,668 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:

# NATCHEZ-ADAMS SCHOOL DISTRICT

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

Year Ending June 30:	
2019	\$ (15,186)
2020	(15,186)
2021	(15,186)
2022	(15,186)
2023	(15,186)
Thereafter	(10,628)

*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:

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

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%

# NATCHEZ-ADAMS SCHOOL DISTRICT

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

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 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	\$ 3,644,650	\$ 3,550,873	\$ 3,481,038

*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:

Net OPEB liability	\$ 3,279,470	\$ 3,550,873	\$ 3,860,709

*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



# NATCHEZ-ADAMS SCHOOL DISTRICT

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

available in separately issued financial reports available on the Mississippi Department of Finance and Administration's website.

### **Note 10 – Sixteenth Section Lands**

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

Year Ending June 30	Amount
2019	\$ 121,080
2020	148,310
2021	117,945
2022	12,878
2023	12,787
Total	<u>\$ 413,000</u>

### **Note 11 – Deficit Fund Balance of Individual Funds**

A general listing of the individual funds that have a deficit fund balance, including amounts of the deficit, is as follows:

Fund	Fund Balance
Title I-A Basic	\$ 2,789
Title X-C Homeless	1,921
Extended School Year	229,899
EHA Part B Grant	2,740

The deficit fund balances, as listed above, are in violation of Section 37-61-19, Miss. Code Ann. (1972). These deficits could have been eliminated with a transfer from the District Maintenance Fund (General Fund). Section 37-61-21, Miss. Code Ann. (1972), allows the school board of the school district, with the assistance from the superintendent, to transfer resources to and from functions and funds within the budget when and where needed under certain circumstances.

# NATCHEZ-ADAMS SCHOOL DISTRICT

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

### **Note 12 – Prior Period Adjustments**

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

#### Exhibit B - Statement of Activities

Explanation	Amount
1. Adoption of GASB 75	\$ (3,444,649)
2. To correct revenues accrued in the prior year that did not materialize	(285,749)
3. To correct current year revenues that were not accrued in the prior year	22,291
Total	<u>\$ (3,708,107)</u>

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

Fund	Explanation	Amount
General Fund	revenue corrections	\$ (285,749)
Sixteenth Section Interest Fund	revenue corrections	22,291
Total		<u>\$ (263,458)</u>

### **Note 13 – 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 14 – 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.

## NATCHEZ-ADAMS SCHOOL DISTRICT

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

#### **Note 15 – Uncertainties**

In cases where a township is occupied by two or more school districts, state law requires that available sixteenth section funds shall be divided between the school districts lying wholly or partly within such townships in proportion to the number of children enrolled and residing in each school district. In order to determine what portions of available sixteenth section funds are due to or from other school districts, the superintendent of each school district is required to compile lists of such children in compliance with Section 29-3-121, Miss. Code Ann. (1972). All the School Districts involved did file the required educable children list but the revenues to be allocated have not been completely determined and agreed upon by the School Districts, therefore no division of sixteenth section revenues has been accrued as a receivable or payable, as the case may be.

Of the townships with which the Natchez-Adams School District is shared by other school districts, the Natchez-Adams School District has control of some of the sixteenth section property. A portion of the sixteenth section revenues (rents, leases, timber sales, etc.) to which the Natchez-Adams School District received on these sections may be due other school districts. In addition, for the other townships where another school district controls the sixteenth section property, the Natchez-Adams School District may be entitled to a portion of the sixteenth section revenues that the other school district received. As noted above, all the School Districts have filed the required educable children lists however the total revenues to be allocated by all School Districts remains to be determined.

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

The unrestricted net position amount of \$(48,142,961) includes the effect of deferring the recognition of expenses resulting from the continuing compliance with the GASB 68 pension standard and the adoption of the GASB 75 OPEB standard. In total, the \$9,164,721 of deferred outflows, \$8,928,802 for pensions and \$235,919 for OPEBs, and \$5,580,015 of deferred inflows, \$5,399,206 for pensions and \$180,809 for OPEBs, will both be amortized over the next four to six years, respectively, affecting the unrestricted net position over time.

#### **Note 17 - Subsequent Events**

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

## REQUIRED SUPPLEMENTARY INFORMATION

(This page left blank intentionally)

**NATCHEZ-ADAMS 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	\$ 14,623,287	\$ 13,885,642	\$ 13,950,987	\$ (737,645)	\$ 65,345
State sources	14,964,127	15,327,484	15,627,319	363,357	299,835
Federal sources	286,500	240,736	134,797	(45,764)	(105,939)
Sixteenth section sources	-	-	-	-	-
Total Revenues	29,873,914	29,453,862	29,713,103	(420,052)	259,241
<b>Expenditures:</b>					
Instruction	16,046,992	15,550,751	15,539,944	496,241	10,807
Support services	13,505,424	14,266,270	13,734,211	(760,846)	532,059
Noninstructional services	2,093	2,082	2,082	11	-
Facilities acquisition and construction	-	-	641,274	-	(641,274)
Debt service:					
Principal	67,846	-	-	67,846	-
Interest	21,102	-	-	21,102	-
Other	-	-	-	-	-
Total Expenditures	29,643,457	29,819,103	29,917,511	(175,646)	(98,408)
Excess (Deficiency) of Revenues over (under) Expenditures	230,457	(365,241)	(204,408)	(595,698)	160,833
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	1,969,301	409,095	2,674,592	(1,560,206)	2,265,497
Other financing sources	390,770	2,637,581		2,246,811	(2,637,581)
Operating transfers out	(2,324,758)	(3,240,761)	(2,742,743)	(916,003)	498,018
Other financing uses	-	-	-	-	-
Total Other Financing Sources (Uses)	35,313	(194,085)	(68,151)	(229,398)	125,934
Net Change in Fund Balances	265,770	(559,326)	(272,559)	(825,096)	286,767
Fund Balances:					
July 1, 2017, as previously reported	7,081,756	6,410,056	2,978,730	(671,700)	(3,431,326)
Prior period adjustments	-	-	(285,749)	-	(285,749)
July 1, 2017, as restated	7,081,756	6,410,056	2,692,981	(671,700)	(3,717,075)
Increase (Decrease) in reserve for inventory	-	-	6,148	-	6,148
June 30, 2018	\$ 7,347,526	\$ 5,850,730	\$ 2,426,570	\$ (1,496,796)	\$ (3,424,160)

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

**NATCHEZ-ADAMS SCHOOL DISTRICT**

**Required Supplementary Information**

**Budgetary Comparison Schedule  
Sixteenth Section Interest 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	\$	\$	\$ -	\$ -	\$ -
State sources			-	-	-
Federal sources			-	-	-
Sixteenth section sources	284,100	270,465	222,666	(13,635)	(47,799)
Total Revenues	284,100	270,465	222,666	(13,635)	(47,799)
<b>Expenditures:</b>					
Instruction	-	-	-	-	-
Support services	-	-	-	-	-
Noninstructional services	-	-	-	-	-
Facilities acquisition and construction	-	-	-	-	-
Debt service:	-	-	-	-	-
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Advance refunding escrow	-	-	-	-	-
Other	-	-	-	-	-
Total Expenditures	-	-	-	-	-
Excess (Deficiency) of Revenues over (under) Expenditures	284,100	270,465	222,666	(13,635)	(47,799)
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	300,000	391,415	391,415	91,415	-
Other financing sources	-	-	-	-	-
Operating transfers out	(489,500)	(489,600)	(489,600)	(100)	-
Other financing uses	-	-	-	-	-
Total Other Financing Sources (Uses)	(189,500)	(98,185)	(98,185)	91,315	-
Net Change in Fund Balances	94,600	172,280	124,481	77,680	(47,799)
<b>Fund Balances:</b>					
July 1, 2017, as previously reported	3,285,086	3,285,086	3,514,576	-	229,490
Prior period adjustments	-	-	22,291	-	22,291
July 1, 2017, as restated	3,285,086	3,285,086	3,536,867	-	251,781
Increase (Decrease) in reserve for inventory	-	-	-	-	-
June 30, 2018	\$ 3,379,686	\$ 3,457,366	\$ 3,661,348	\$ 77,680	\$ 203,982

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

**NATCHEZ-ADAMS SCHOOL DISTRICT**

**Required Supplementary Information**

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

**PERS**

**Last 10 Fiscal Years\***

		<u><b>2018</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>
District's proportion of the net pension liability	%	0.3250	0.3050	0.2960	0.2970
District's proportionate share of the net pension liability	\$	<b>54,054,288</b>	<b>54,485,438</b>	<b>45,755,763</b>	<b>36,050,362</b>
District's covered payroll		19,624,244	19,513,325	18,506,822	18,148,317
District's proportionate share of the net pension liability as a percentage of its covered payroll		275%	279%	247%	199%
Plan fiduciary net position as a percentage of the total pension liability		61%	62%	62%	67%

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

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

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



**NATCHEZ-ADAMS SCHOOL DISTRICT**

**Required Supplementary Information**

**SCHEDULE OF DISTRICT CONTRIBUTIONS**

**PERS**

**Last 10 Fiscal Years**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 3,250,128	3,285,458	3,073,349	2,914,824
Contributions in relation to the contractually required contribution	\$ <b>3,250,128</b>	<b>3,285,458</b>	<b>3,073,349</b>	<b>2,914,824</b>
Contribution deficiency (excess)	\$ 0	0	0	0
District's covered payroll	20,635,733	20,860,051	19,513,325	18,506,822
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.

**NATCHEZ-ADAMS SCHOOL DISTRICT****Required Supplementary Information****SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY****OPEB****Last 10 Fiscal Years\***

		<b>2018</b>
District's proportion of the net OPEB liability	%	0.4525
District's proportionate share of the net OPEB liability	\$	3,550,873
District's covered-employee payroll		20,329,581
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll		17.47%
Plan fiduciary net position as a percentage of the total OPEB liability		0.00%

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

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

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.

**NATCHEZ-ADAMS SCHOOL DISTRICT****Required Supplementary Information****SCHEDULE OF DISTRICT CONTRIBUTIONS****OPEB****Last 10 Fiscal Years**

	<b>2018</b>
Contractually required contribution	\$ 151,379
Contributions in relation to the contractually required contribution	\$ 151,379
Contribution deficiency (excess)	\$ 0
District's covered-employee payroll	20,329,581
Contributions as a percentage of covered-employee payroll	0.74%

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.

## **Notes to Required Supplementary Information**

### **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%.

### (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 including inflation	3.75 percent to 19.00 percent,
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	3.25 percent to 18.50 percent
Initial health care cost trend rates	
Medicare Supplement Claims	7.75 percent
Pre-Medicare	
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

**NATCHEZ-ADAMS 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 Expenditure s
<b><u>U.S. Department of Agriculture</u></b>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	185MS326N1099	\$ 36,347
National school lunch program	10.555	185MS326N1099	2,230,217
Summer food service program for children	10.559	185MS326N1099	50,832
Total child nutrition cluster			<u>2,317,396</u>
Total passed-through Mississippi Department of Education			2,317,396
Passed-through the State of Mississippi:			
Fresh fruits and vegetables program	10.582	185MS326L1603	64,151
Passed-through Adams County:			
Schools and Roads - grants to states	10.665	N/A	51,047
Total U.S. Department of Agriculture			<u>2,432,594</u>
<b><u>U.S. Department of Defense</u></b>			
Direct Program:			
Reserve Officers' Training Corps	12.xxx	N/A	26,719
Total U.S. Department of Defense			<u>26,719</u>
<b><u>Federal Communications Commission</u></b>			
Administered through the Universal Service Administrative Company:			
The schools and libraries program of the universal service fund	32.xxx	N/A	50,609
Total Federal Communications Commission			<u>50,609</u>
<b><u>U.S. Department of Education</u></b>			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	ES67A170023	3,012,780
Career and technical education - basic grants to states	84.048	V048A170024	24,225
Safe and drug-free schools and communities- state grants	84.186	N/A	33,072
Education for homeless children and youth	84.196	ES196A170025	11,584
Rural education	84.258	ES358B170024	77,103
Supporting Effective Instruction State Grants	84.367	ES367A170023	364,796
Subtotal			<u>3,523,560</u>
Special education cluster:			
Special education - grants to states	84.027	H027A170108	915,168
Special education - preschool grants	84.173	H173A170113	44,314
Total special education cluster			<u>959,482</u>
Total passed-through Mississippi Department of Education			4,483,042
Total U.S. Department of Education			<u>4,483,042</u>



**NATCHEZ-ADAMS 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	Pass-through Entity Identifying Number	Federal Expenditure s
<b><u>U.S. Department of Health and Human Services</u></b>			
Passed-through MS Department of Human Services:			
Medicaid cluster:			
Medical assistance program	93.778	1805MS5ADM	89,442
Total Medicaid cluster			<u>89,442</u>
Total passed-through MS Department of Human Services:			<u>89,442</u>
<b>Total U.S. Department of Health and Human Services</b>			<u><u>89,442</u></u>
 <b>Total for All Federal Awards</b>			 <b>\$ <u><u>7,082,406</u></u></b>

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

# NATCHEZ-ADAMS SCHOOL DISTRICT

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

### Schedule of Expenditures of Federal Awards

#### (1) Basis of Presentation

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

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

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

#### (3) Indirect Cost Rate

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

**NATCHEZ- ADAMS SCHOOL DISTRICT**

**Supplementary Information**

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

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

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 31,427,001	20,350,411	4,940,412	3,408,451	2,727,727
Other	9,245,749	3,199,156	1,202,001	99,720	4,744,872
Total	<u>\$ 40,672,750</u>	<u>23,549,567</u>	<u>6,142,413</u>	<u>3,508,171</u>	<u>7,472,599</u>
Total number of students *	<u>3,271</u>				
Cost per student	<u>\$ 12,434</u>	<u>7,200</u>	<u>1,878</u>	<u>1,073</u>	<u>2,283</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

**NATCHEZ-ADAMS 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	\$ 13,950,987	\$ 13,613,973	\$ 12,974,286	\$ 12,823,563
State sources	15,627,319	15,814,764	15,479,713	15,186,435
Federal sources	134,797	248,949	187,947	138,400
Total Revenues	29,713,103	29,677,686	28,641,946	28,148,398
<b>Expenditures:</b>				
Instruction	15,539,944	15,457,298	15,637,506	14,384,140
Support services	13,734,211	14,559,293	13,371,253	12,785,570
Noninstructional services	2,082	1,680	7,281	28,222
Facilities acquisition and construction	641,274			
Debt service:				
Principal	-	6,294	5,913	5,555
Interest	-	26,177	787	6,653
Total Expenditures	29,917,511	30,050,742	29,022,740	27,210,140
Excess (Deficiency) of Revenues over (under) Expenditures	(204,408)	(373,056)	(380,794)	938,258
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	2,674,592	2,161,395	1,520,448	1,117,349
Other financing sources	-	48,219	-	-
Operating transfers out	(2,742,743)	(2,519,272)	(1,990,997)	(1,382,382)
Total Other Financing Sources (Uses)	(68,151)	(309,658)	(470,549)	(265,033)
Net Change in Fund Balances	(272,559)	(682,714)	(851,343)	673,225
<b>Fund Balances:</b>				
Beginning of period, as previously reported	2,978,730	3,659,234	4,508,342	4,218,246
Prior period adjustments	(285,749)	-	-	(383,787)
Beginning of period, as restated	2,692,981	3,659,234	4,508,342	3,834,459
Increase (Decrease) in reserve for inventory	6,148	2,210	2,235	658
End of Period	\$ 2,426,570	\$ 2,978,730	\$ 3,659,234	\$ 4,508,342

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**NATCHEZ-ADAMS 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	\$ 14,356,563	\$ 13,946,066	\$ 13,343,570	\$ 13,127,807
State sources	16,907,541	17,610,145	17,146,412	16,581,758
Federal sources	7,082,404	7,374,839	7,833,023	6,686,705
Sixteenth section sources	621,443	702,835	854,941	590,186
Total Revenues	38,967,951	39,633,885	39,177,946	36,986,456
<b>Expenditures:</b>				
Instruction	19,533,919	19,370,179	19,567,928	17,166,139
Support services	16,220,214	17,098,427	16,165,497	15,102,272
Noninstructional services	2,751,558	2,661,395	2,421,912	2,562,660
Sixteenth section	380	13,222	31,686	5,004
Facilities acquisition and construction	666,007	-	-	-
Debt service:				
Principal	1,480,000	1,066,294	1,025,913	995,555
Interest	19,546	82,047	80,603	108,612
Advance refunding escrow	-	-	-	1,250
Other	1,126	1,350	1,350	-
Total Expenditures	40,672,750	40,292,914	39,294,889	35,941,492
Excess (Deficiency) of Revenues over (under) Expenditures	(1,704,799)	(659,029)	(116,943)	1,044,964
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	4,341,455	3,919,483	3,047,908	1,566,770
Other financing sources	-	48,219	-	-
Operating transfers out	(4,341,455)	(3,919,483)	(3,047,908)	(1,566,770)
Other financing uses	(396,216)	-	-	-
Total Other Financing Sources (Uses)	(396,216)	48,219	-	-
Net Change in Fund Balances	(2,101,015)	(610,810)	(116,943)	1,044,964
<b>Fund Balances:</b>				
Beginning of period, as previously reported	27,891,024	28,480,510	28,589,709	27,927,621
Prior period adjustments	(263,458)	648	-	(383,787)
Beginning of period, as restated	27,627,566	28,481,158	28,589,709	27,543,834
Increase (Decrease) in reserve for inventory	6,148	20,676	7,744	911
End of Period	\$ 25,532,699	\$ 27,891,024	\$ 28,480,510	\$ 28,589,709

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## REPORTS ON INTERNAL CONTROL AND COMPLIANCE

(This page left blank intentionally)



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

Superintendent and School Board  
Natchez-Adams 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 the Natchez-Adams School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Natchez-Adams School District's basic financial statements, and have issued our report thereon dated March 17, 2019.

### **Internal Control over Financial Reporting**

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

*The Miller Group, PLLC*

Natchez, Mississippi  
March 17, 2019

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

Superintendent and School Board  
Natchez-Adams School District

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

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

***Opinion on Each Major Federal Program***

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

**Report on Internal Control over Compliance**

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

*The Millon Group, PLLC*

Natchez, Mississippi  
March 17, 2019

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

(This page left blank intentionally)

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

Superintendent and School Board  
Natchez-Adams School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Natchez-Adams School District as of and for the year ended June 30, 2018, which collectively comprise the Natchez-Adams School District's basic financial statements and have issued our report thereon dated March 17, 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 disclosed the following instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

Condition

The District shares townships with other districts. Section 29-3-119, Miss. Code Ann. (1972), requires that the sixteenth section revenue derived from the shared townships be divided according to the applicable percentage of educable children.

Criteria

Sixteenth section revenues generated on shared lieu lands should be allocated to the respective school districts according to the enrollments of the educable children in that area.

Cause of Condition

Although the affected School Districts prepared and filed the lists of educable children with the Superintendent, the School Districts have not been able to calculate and settle on the amount of revenue derived from the shared townships because it has not been able to determine the location of the lieu lands. Even though the District regularly sends and receives the educable child lists from/to Jefferson and Wilkinson Counties, the exact details are unknown and being investigated further by the District's legal counsel.

Effect of Condition

Immaterial non-compliance with state statutes.

Recommendation

The District should consult legal counsel to determine the best way to proceed with determining the location of the lieu lands. Once lieu lands are identified, the District should be able to calculate the amount of revenue derived from these townships. Revenues can then be divided according to the applicable percentage of educable children once other School Districts comply with state law and file the appropriate lists of educable children.

Response

The District has determined which townships are shared by other districts and has consulted with Board counsel. The Board counsel has been assigned the duty of identifying lieu lands.

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

The Natchez-Adams School District's response to the finding included in this report was not audited and, accordingly, we express no opinion on it.

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

*The Miller Group, PLLC*

March 17, 2019  
Natchez, Mississippi



## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(This page left blank intentionally)

NATCHEZ-ADAMS SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2018

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

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

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I
84.027, 84.027A, 84.173	Special Education Cluster

8. Dollar threshold used to distinguish between type A and type B  
programs: \$750,000
9. Auditee qualified as low-risk auditee? No

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). No

## 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.

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

(This page left blank intentionally)

NATCHEZ-ADAMS SCHOOL DISTRICT  
AUDITEE'S SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
JUNE 30, 2018

N/A – No federal findings reported in the prior year.