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**New Albany Public School District**

Audited Financial Statements  
For the Year Ended June 30, 2018

**Fortenberry & Ballard, PC**  
Certified Public Accountants

**New Albany Public School District  
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## FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

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

**Auditor's Responsibility**

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

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

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

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## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the New Albany Public School District, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 8 to 19, and 69 to 78, 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 New Albany Public School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2019, on our consideration of the New Albany Public 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 New Albany Public School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New Albany Public School District's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC  
January 25, 2019

Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**New Albany Public School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2018**

The following discussion and analysis of New Albany Public 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 \$2,578,593, including a prior period adjustment of (\$1,935,271), due primarily to the effect of recording the net OPEB liability, which represents an 21% decrease from fiscal year 2017. Total net position for 2017 decreased \$1,385,428, which represents a 13% decrease from fiscal year 2016.
- General revenues amounted to \$17,302,277 and \$16,311,385, or 80% and 77% of all revenues for fiscal years 2018 and 2017, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,362,745, or 20% of total revenues for 2018, and \$4,786,924, or 23% of total revenues for 2017.
- The District had \$22,308,344 and \$22,483,737 in expenses for fiscal years 2018 and 2017; only \$4,362,745 for 2018 and only \$4,786,924 for 2017 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$17,302,277 for 2018 and \$16,311,385 for 2017 were not adequate to provide for these programs.
- Among the major funds, the General Fund had \$16,584,074 in revenues and \$17,898,936 in expenditures for 2018, and \$16,248,559 in revenues and \$15,934,003 in expenditures for 2017. The General Fund's fund balance increased by \$136,330 from 2017 to 2018, and increased by \$81,494 from 2016 to 2017.
- Capital assets, net of accumulated depreciation, increased by \$959,910 for 2018 and decreased by \$454,327 for 2017. The increase for 2018 was primarily due to the additions to mobile equipment, furniture and equipment and lease property under capital leases.
- Long-term debt increased by \$552,630 for 2018 and decreased by \$1,137,229 for 2017. The increase for 2018 was due primarily to additions to obligations under capital leases. The liability for compensated absences decreased by \$5,922 for 2018 and increased by \$3,818 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.

**New Albany Public School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018

**Government-wide Financial Statements**

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

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

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

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

**New Albany Public School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018

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.

**New Albany Public School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2018**

**Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of District Contributions (PERS), Schedule of the District's Proportionate Share of the Net OPEB Liability, and Schedule of District Contributions (OPEB) as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund 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 \$14,573,037 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.

**New Albany Public School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2018**

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

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

	<b>June 30, 2018</b>	<b>June 30, 2017</b>	<b>Percentage Change</b>
Current assets	\$ 6,625,689	6,013,631	10%
Restricted assets	1,387,495	1,526,245	(9)%
Capital assets, net	14,332,573	13,372,663	7%
<b>Total assets</b>	<b>22,345,757</b>	<b>20,912,539</b>	<b>7%</b>
<b>Deferred outflows of resources</b>	<b>3,737,844</b>	<b>7,966,624</b>	<b>(53)%</b>
Current liabilities	1,401,113	1,322,773	6%
Long-term debt outstanding	7,325,772	6,773,142	8%
Net OPEB liability	1,949,601		N/A
Net pension liability	26,993,067	31,259,370	(14)%
<b>Total liabilities</b>	<b>37,669,553</b>	<b>39,355,285</b>	<b>(4)%</b>
<b>Deferred inflows of resources</b>	<b>2,987,085</b>	<b>1,518,322</b>	<b>97%</b>
<b>Net position:</b>			
Net investment in capital assets	11,085,469	11,384,218	(3)%
Restricted	2,678,045	2,194,901	22%
Unrestricted	(28,336,551)	(25,573,563)	(11)%
<b>Total net position (deficit)</b>	<b>\$ (14,573,037)</b>	<b>(11,994,444)</b>	<b>(21)%</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:

**New Albany Public School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2018**

Total Unrestricted Net Position (Deficit)	\$ (28,336,551)
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>28,191,909</u>
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ (144,642)</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 \$959,910.
- The principal retirement of \$1,267,467 of long-term debt.
- Implementation of GASB 75 which resulted in the recognition of a net OPEB liability in the amount of \$1,949,601.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2018 and June 30, 2017 were \$21,665,022 and \$21,098,309, respectively. The total cost of all programs and services was \$22,308,344 for 2018 and \$22,483,737 for 2017.

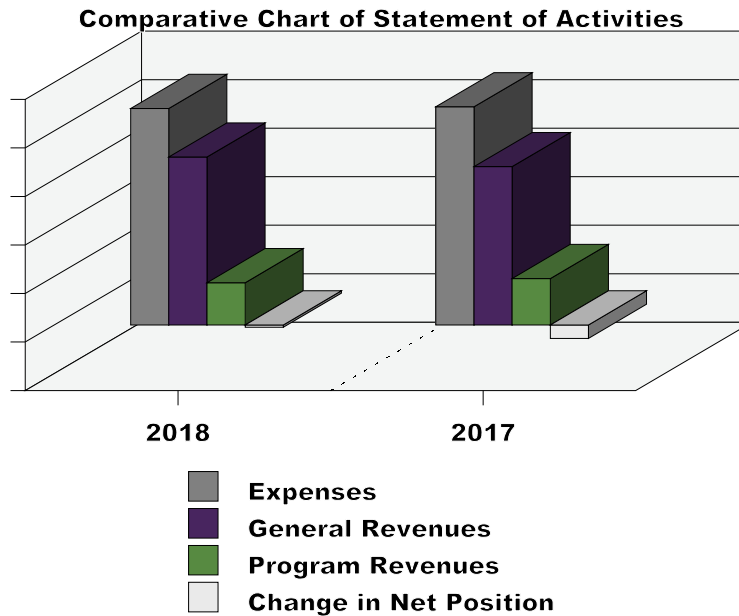
Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2018 and June 30, 2017.

**New Albany Public School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2018**

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

	<u>Year Ended June 30, 2018</u>	<u>Year Ended June 30, 2017</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 827,551	1,407,529	(41)%
Operating grants and contributions	3,535,194	3,379,395	5%
General Revenues:			
Property taxes	5,310,165	4,955,508	7%
Grants and contributions not restricted	11,158,399	11,283,761	(1)%
Unrestricted investment earnings	36,187	30,140	20%
Other	<u>797,526</u>	<u>41,976</u>	1800%
<b>Total revenues</b>	<u>21,665,022</u>	<u>21,098,309</u>	3%
<b>Expenses:</b>			
Instruction	11,428,057	11,094,645	3%
Support services	6,280,365	6,058,428	4%
Non-instructional	1,159,307	1,137,823	2%
Pension expense	3,198,249	4,015,458	(20)%
OPEB expense	99,281		N/A
Interest on long-term liabilities	<u>143,085</u>	<u>177,383</u>	(19)%
<b>Total expenses</b>	<u>22,308,344</u>	<u>22,483,737</u>	(1)%
<b>Increase (Decrease) in net position</b>	<u>(643,322)</u>	<u>(1,385,428)</u>	54%
<b>Net Position (Deficit), July 1, as previously reported</b>	(11,994,444)	(10,609,016)	(13)%
<b>Prior period adjustment</b>	<u>(1,935,271)</u>		N/A
<b>Net Position (Deficit), July 1, as restated</b>	<u>(13,929,715)</u>	<u>(10,609,016)</u>	(31)%
<b>Net Position (Deficit), June 30</b>	<u>\$ (14,573,037)</u>	<u>(11,994,444)</u>	(21)%

**New Albany Public School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2018**



**Governmental activities**

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

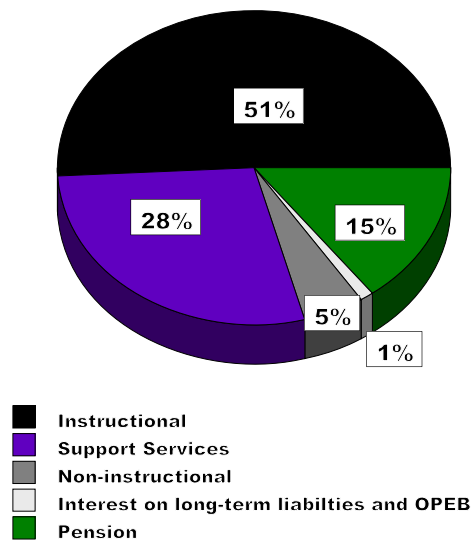
**Table 3**  
**Net Cost of Governmental Activities**

	<u><b>Total Expenses</b></u>		<b>Percentage Change</b>
	<b>2018</b>	<b>2017</b>	
Instruction	\$ 11,428,057	11,094,645	3%
Support services	6,280,365	6,058,428	4%
Non-instructional	1,159,307	1,137,823	2%
Pension expense	3,198,249	4,015,458	(20)%
OPEB expense	99,281		N/A
Interest on long-term liabilities	143,085	177,383	(19)%
<b>Total expenses</b>	<u><u>\$ 22,308,344</u></u>	<u><u>22,483,737</u></u>	<u><u>(1)%</u></u>

**New Albany Public School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2018**

<b>Net (Expense) Revenue</b>			
	<b>2018</b>	<b>2017</b>	<b>Percentage Change</b>
Instruction	\$ (9,031,950)	(8,255,127)	(9)%
Support services	(5,474,780)	(5,368,994)	(2)%
Non-instructional	1,746	120,149	(99)%
Pension expense	(3,198,249)	(4,015,458)	20%
OPEB expense	(99,281)		N/A
Interest on long-term liabilities	(143,085)	(177,383)	19%
<b>Total net (expense) revenue</b>	<b>\$ (17,945,599)</b>	<b>(17,696,813)</b>	<b>(1)%</b>

**Chart of Expenses per Statement of Activities**



- Net cost of governmental activities (\$17,945,599 for 2018 and \$17,696,813 for 2017) was financed by general revenue, which is primarily made up of property taxes (\$5,310,165 for 2018 and \$4,955,508 for 2017) and state and federal revenues (\$11,158,399 for 2018 and \$11,283,761 for 2017).
- Investment earnings amounted to \$36,187 for 2018 and \$30,140 for 2017.

**New Albany Public School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018

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

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$6,642,397, an increase of \$384,737, which includes a decrease in inventory of \$6,124. \$2,012,524 or 30% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted or assigned to specific purposes within the general fund. The remaining fund balance of \$4,629,873 or 70% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$136,330. The fund balance of Other Governmental Funds showed an increase in the amount of \$91,736, which includes a decrease in inventory of \$6,124. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
IDEA Part B Fund	no increase or decrease
Reserve for Capital Expenditure Fund	no increase or decrease
QZAB Sinking Fund	\$ 156,671

## **BUDGETARY HIGHLIGHTS**

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

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

**New Albany Public School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2018**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2018, the District's total capital assets were \$25,523,675, including land, school buildings, building improvements, improvements other than buildings, mobile equipment, buses, other school vehicles, furniture and equipment and leased property under capital leases. This amount represents an increase of \$1,736,658 from 2017. Total accumulated depreciation as of June 30, 2018, was \$11,191,102, and total depreciation expense for the year was \$1,051,441, resulting in total net capital assets of \$14,332,573.

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

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
Land	\$ 975,887	975,887	0%
Buildings	9,948,631	10,253,093	(3)%
Building improvements	823,285	878,053	(6)%
Improvements other than buildings	171,345	190,383	(10)%
Mobile equipment	1,311,973	815,293	61%
Furniture and equipment	275,453	259,954	6%
Leased property under capital leases	825,999		N/A
<b>Total</b>	<b>\$ <u>14,332,573</u></b>	<b><u>13,372,663</u></b>	<b><u>7%</u></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 \$7,325,772 in outstanding long-term debt, of which \$1,590,140 is due within one year. The liability for compensated absences decreased \$5,922 from the prior year.

**New Albany Public School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2018**

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

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 1,145,000	1,920,000	(40)%
Premiums	45,630	68,445	(33)%
Three mill notes payable	857,272	927,857	(8)%
Energy efficiency lease purchase	1,300,928	1,407,961	(8)%
Qualified zone academy bonds payable	1,720,000	1,720,000	0%
Obligations under capital leases	2,056,474	522,489	294%
Compensated absences payable	200,468	206,390	(3)%
<b>Total</b>	<u><u>\$ 7,325,772</u></u>	<u><u>6,773,142</u></u>	<u><u>8%</u></u>

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

## **CURRENT ISSUES**

The New Albany Public School District is financially stable. The District is proud of its community support of the public schools.

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

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

Enrollment for the 2017 - 2018 year decreased by 2% to 2,120 students.

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

If you have questions about this report, contact the Superintendent's Office of the New Albany Public School District, 301 Hwy 15 North, New Albany, MS 38652.

## FINANCIAL STATEMENTS

**NEW ALBANY PUBLIC SCHOOL DISTRICT****STATEMENT OF NET POSITION**

JUNE 30, 2018

	Governmental Activities
<b>Assets</b>	
<i>Cash and cash equivalents</i>	\$ 5,078,444
<i>Due from other governments</i>	1,097,973
<i>Other receivables, net</i>	396,730
<i>Inventories</i>	52,542
<i>Restricted assets</i>	1,387,495
<i>Capital assets, non-depreciable:</i>	
<i>Land</i>	975,887
<i>Capital assets, net of accumulated depreciation:</i>	
<i>Buildings</i>	9,948,631
<i>Building improvements</i>	823,285
<i>Improvements other than buildings</i>	171,345
<i>Mobile equipment</i>	1,311,973
<i>Furniture and equipment</i>	275,453
<i>Leased property under capital leases</i>	825,999
Total Assets	<u>22,345,757</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows - pensions	3,640,408
Deferred outflows - OPEB	97,436
Total Deferred Outflows of Resources	<u>3,737,844</u>
<b>Liabilities</b>	
<i>Accounts payable and accrued liabilities</i>	1,359,922
<i>Unearned revenue</i>	10,865
<i>Interest payable on long-term liabilities</i>	30,326
Long-term liabilities, due within one year:	
<i>Capital related liabilities</i>	1,408,039
<i>Non-capital related liabilities</i>	182,101
<i>Net OPEB liability</i>	79,782
Long-term liabilities, due beyond one year:	
<i>Capital related liabilities</i>	1,839,065
<i>Non-capital related liabilities</i>	3,896,567
<i>Net pension liability</i>	26,993,067
<i>Net OPEB liability</i>	1,869,819
Total Liabilities	<u>37,669,553</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	2,887,812
Deferred inflows - OPEB	99,273
Total Deferred Inflows of Resources	<u>2,987,085</u>
<b>Net Position</b>	
Net investment in capital assets	11,085,469
Restricted For:	
Expendable:	
School-based activities	591,880
Debt service	1,741,405
Capital projects	225,695
Unemployment benefits	119,065
Unrestricted	(28,336,551)
Total Net Position	<u>\$ (14,573,037)</u>

The accompanying notes are an integral part of this statement.

# NEW ALBANY PUBLIC SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

### EXHIBIT B

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities:				Governmental Activities
<i>Instruction</i>	\$ 11,428,057	\$ 598,422	\$ 1,797,685	\$ (9,031,950)
<i>Support services</i>	6,280,365	--	805,585	(5,474,780)
<i>Noninstructional services</i>	1,159,307	229,129	931,924	1,746
<i>Pension expense</i>	3,198,249	--	--	(3,198,249)
<i>OPEB expense</i>	99,281	--	--	(99,281)
<i>Interest on long-term liabilities</i>	143,085	--	--	(143,085)
Total Governmental Activities	<u>\$ 22,308,344</u>	<u>\$ 827,551</u>	<u>\$ 3,535,194</u>	<u>(17,945,599)</u>
General Revenues:				
Taxes:				
<i>General purpose levies</i>				4,173,580
<i>Debt purpose levies</i>				1,136,585
<i>Unrestricted grants and contributions:</i>				
<i>State</i>				11,016,876
<i>Federal</i>				141,523
<i>Unrestricted investment earnings</i>				36,187
<i>Other</i>				797,526
Total General Revenues				<u>17,302,277</u>
Change in Net Position				<u>(643,322)</u>
Net Position (Deficit) - Beginning, as previously reported				(11,994,444)
Prior Period Adjustment				<u>(1,935,271)</u>
Net Position (Deficit) - Beginning, as restated				(13,929,715)
Net Position (Deficit) - Ending				<u>\$ (14,573,037)</u>

The accompanying notes are an integral part of this statement.

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**NEW ALBANY PUBLIC SCHOOL DISTRICT****BALANCE SHEET - GOVERNMENTAL FUNDS**

JUNE 30, 2018

**EXHIBIT C**

	General Fund	IDEA Part B Fund
	<hr/>	<hr/>
<b>Assets:</b>		
<i>Cash and cash equivalents</i>	\$ 3,822,776	\$ --
<i>Investments</i>	--	--
<i>Due from other governments</i>	302,648	420,761
<i>Other receivables, net</i>	320,798	--
<i>Due from other funds</i>	549,060	--
<i>Inventories</i>	--	--
Total Assets	<u>\$ 4,995,282</u>	<u>\$ 420,761</u>
 <b>Liabilities and Fund Balances</b>		
<b>Liabilities:</b>		
<i>Accounts payable and accrued liabilities</i>	\$ 1,061,258	\$ 26,224
<i>Due to other funds</i>	1,623,993	394,537
<i>Unearned revenue</i>	--	--
Total Liabilities	<u>2,685,251</u>	<u>420,761</u>
 <b>Fund Balances:</b>		
<b>Nonspendable:</b>		
Inventory	--	--
<b>Restricted:</b>		
Unemployment benefits	--	--
Capital improvements	--	--
Debt service	--	--
Grant activities	--	--
Food service	--	--
<b>Assigned to:</b>		
Activity funds	297,507	--
Capital improvements	--	--
<b>Unassigned</b>	<u>2,012,524</u>	<u>--</u>
Total Fund Balances	<u>2,310,031</u>	<u>--</u>
Total Liabilities and Fund Balances	<u>\$ 4,995,282</u>	<u>\$ 420,761</u>

The accompanying notes are an integral part of this statement.

Reserve for Capital Expenditure Fund	QZAB Sinking Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ 1,255,668	\$ 5,078,444
--	1,387,495	--	1,387,495
--	--	374,564	1,097,973
--	--	75,932	396,730
1,623,995	--	--	2,173,055
--	--	52,542	52,542
<u>\$ 1,623,995</u>	<u>\$ 1,387,495</u>	<u>\$ 1,758,706</u>	<u>\$ 10,186,239</u>
\$ --	\$ --	\$ 272,440	\$ 1,359,922
--	--	154,525	2,173,055
--	--	10,865	10,865
<u>--</u>	<u>--</u>	<u>437,830</u>	<u>3,543,842</u>
--	--	52,542	52,542
--	--	119,065	119,065
--	--	225,695	225,695
--	1,387,495	384,236	1,771,731
--	--	69,196	69,196
--	--	470,142	470,142
--	--	--	297,507
1,623,995	--	--	1,623,995
--	--	--	2,012,524
<u>1,623,995</u>	<u>1,387,495</u>	<u>1,320,876</u>	<u>6,642,397</u>
<u>\$ 1,623,995</u>	<u>\$ 1,387,495</u>	<u>\$ 1,758,706</u>	<u>\$ 10,186,239</u>

**NEW ALBANY PUBLIC SCHOOL DISTRICT**

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2018*

Total fund balances for governmental funds	\$ 6,642,397
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	14,332,573
Liabilities due in one year are not recognized in the funds.	(1,669,922)
Payables for bond principal which are not due in the current period are not reported in the funds.	(2,055,000)
Payables for capital leases which are not due in the current period are not reported in the funds.	(1,481,250)
Payables for bond interest which are not due in the current period are not reported in the funds.	(30,326)
Payables for notes which are not due in the current period are not reported in the funds.	(784,911)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(200,468)
Payables for energy efficiency lease which are not due in the current period are not reported in the funds.	(1,191,188)
Recognition of the School District's proportionate share of the net pension liability is not reported in the funds.	(26,993,067)
Deferred Inflows of Resources related to the pension plan are not reported in the funds.	(2,887,812)
Deferred Outflows of Resources related to the pension plan are not reported in the funds.	3,640,408
Bond premiums are reported in the SNP net of amortization	(22,815)
Recognition of the School District's proportionate share of the net OPEB liability is not reported in the funds.	(1,869,819)
Deferred Inflows of Resources related to the OPEB plan are not reported in the funds.	(99,273)
Deferred Outflows of Resources related to the OPEB plan are not reported in the funds.	97,436
Net position of governmental activities	\$ <u>(14,573,037)</u>

The accompanying notes are an integral part of this statement.

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**NEW ALBANY PUBLIC SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**EXHIBIT D**

	General Fund	IDEA Part B Fund
<b>Revenues:</b>		
<i>Local sources</i>	\$ 5,536,864	\$ --
<i>State sources</i>	10,838,250	4,560
<i>Federal sources</i>	208,960	438,450
Total Revenues	<u>16,584,074</u>	<u>443,010</u>
<b>Expenditures:</b>		
Instruction	9,831,787	253,327
Support services	7,593,303	189,683
Noninstructional services	221	--
Debt service:		
Principal	421,882	--
Interest	49,568	--
Other	2,175	--
Total Expenditures	<u>17,898,936</u>	<u>443,010</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,314,862)</u>	<u>--</u>
<b>Other Financing Sources (Uses):</b>		
Inception of capital leases	1,848,834	--
Insurance recoveries	2,500	--
Operating transfers in	1,416	--
Operating transfers out	(401,558)	--
Total Other Financing Sources (Uses)	<u>1,451,192</u>	<u>--</u>
Net change in fund balances	136,330	--
Fund Balances:		
July 1, 2017	2,173,701	--
Increase (Decrease) in inventory	--	--
June 30, 2018	<u>\$ 2,310,031</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

Reserve for Capital Expenditure Fund	QZAB Sinking Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 11,063	\$ 1,421,002	\$ 6,968,929
--	--	1,106,842	11,949,652
--	--	2,096,531	2,743,941
--	11,063	4,624,375	21,662,522
--	--	2,018,749	12,103,863
--	--	670,415	8,453,401
--	--	1,121,912	1,122,133
--	--	845,585	1,267,467
--	--	99,553	149,121
--	21,772	3,063	27,010
--	21,772	4,759,277	23,122,995
--	(10,709)	(134,902)	(1,460,473)
--	--	--	1,848,834
--	--	--	2,500
--	167,380	432,376	601,172
--	--	(199,614)	(601,172)
--	167,380	232,762	1,851,334
--	156,671	97,860	390,861
1,623,995	1,230,824	1,229,140	6,257,660
--	--	(6,124)	(6,124)
\$ 1,623,995	\$ 1,387,495	\$ 1,320,876	\$ 6,642,397

**NEW ALBANY PUBLIC SCHOOL DISTRICT**

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

Net change in fund balances - total governmental funds	\$ 390,861
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	2,041,872
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,051,441)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(30,521)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	775,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	314,849
Repayment of note principal is an expenditure in the funds but is not an expense in the SOA.	70,585
Repayment of energy efficiency lease principal is an expenditure in the funds but is not an expense in the SOA.	107,033
(Increase) decrease in accrued interest from beginning of period to end of period.	10,231
Change in inventory affects fund balance in the funds but affects expense in the SOA.	(6,124)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	5,922
Bond premiums are amortized in the SNP but not in the funds.	22,815
Inception of leases do not provide revenue in the SOA, but are reported as current resources in the funds.	(1,848,834)
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.	1,768,846
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(3,198,249)
OPEB contributions made after the measurement date but in current FY were de-expended & reduced NPL.	83,114
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	(99,281)
Change in net position of governmental activities - Statement of Activities	\$ <u>(643,322)</u>

The accompanying notes are an integral part of this statement.

**NEW ALBANY PUBLIC SCHOOL DISTRICT**

## STATEMENT OF FIDUCIARY NET POSITION

## FIDUCIARY FUNDS

JUNE 30, 2018

**EXHIBIT E**

	Private-purpose Trust Funds	Agency Funds
<b>Assets:</b>		
<i>Cash and cash equivalents</i>	\$ 19,863	\$ 579
<i>Investments</i>	59,112	--
<i>Accrued interest receivable</i>	34	--
<i>Other receivable</i>	--	14,906
Total Assets	<u>\$ 79,009</u>	<u>\$ 15,485</u>
<b>Liabilities:</b>		
<i>Accounts Payable and accrued liabilities</i>		\$ 7,986
<i>Due to student clubs</i>		6,218
<i>Other payables</i>		1,281
Total Liabilities		<u>\$ 15,485</u>
<b>Net Position</b>		
Reserve for endowments	\$ 79,009	
Total Net Position	<u>\$ 79,009</u>	

The accompanying notes are an integral part of this statement.

**NEW ALBANY PUBLIC SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**EXHIBIT F**

	Private- Purpose Trusts
<b>Additions:</b>	
Interest on investments	\$ 302
Total Additions	<u>302</u>
<b>Change in Net Position</b>	<u>302</u>
July 1, 2017	78,707
June 30, 2018	<u>\$ 79,009</u>

The accompanying notes are an integral part of this statement.

**New Albany Public School District**

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

## **New Albany Public School District**

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

### **Note 1 - Summary of Significant Accounting Policies**

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

#### **A. Financial Reporting Entity**

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

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

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

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

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

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or

## **New Albany Public School District**

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

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

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

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

The school district reports the following major governmental funds:

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

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

Reserve for Capital Expenditure Fund - This fund is used to account for the capital projects of the district. The acquisition and construction of new capital projects revenue and expenditures are reported in this fund.

QZAB Sinking Fund - This debt service fund is used to record the transactions related to the qualified zone academy bonds sinking fund.

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

## **New Albany Public School District**

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

The school district also reports fiduciary funds which focus on net position and changes in net position.

The District's fiduciary funds include the following:

**Accounts Payable Clearing Fund** - This fund is used to report the accounts payable resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

**Student Club Fund Agency Funds** - These funds are used to report student club resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

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

**Scholarship Funds** - These three private purpose funds serve to report all trust arrangements.

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

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

#### **FIDUCIARY FUNDS**

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

## New Albany Public School District

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

Private-purpose Trust Funds - Private-purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, in which the principal and income benefit individuals, private organizations or other governments.

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

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

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

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

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

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

## New Albany Public School District

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

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 are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues. The effect of inter-fund activity has been eliminated from the government-wide statements.

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

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

#### **D. Encumbrances**

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

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

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

###### **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.

## **New Albany Public School District**

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

#### **Investments**

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

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

Investments for the district are reported at fair market value.

#### **2. Receivables and payables**

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

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

#### **3. Due from Other Governments**

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

#### **4. Inventories and Prepaid Items**

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

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as

## New Albany Public School District

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

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. 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 governmental column 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.

## New Albany Public School District

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

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

See Note 12 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

## New Albany Public School District

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

district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

#### 9. Long-term Liabilities and Bond Discounts/ Premiums

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

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

#### 10. Pensions

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

#### 11. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating

## New Albany Public School District

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

interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

#### 12. Fund Balances

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

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

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

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

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

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

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

## **New Albany Public School District**

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

fund balance.

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

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

#### **13. New Pronouncements**

In June 2017, the GASB issued GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This statement is effective for fiscal years beginning after June 15, 2017.

## **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 districts' 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

## New Albany Public School District

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

securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

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

#### Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$5,078,444 and \$20,442, 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 Institution Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2018, none of the district's bank balance of \$5,719,613 was exposed to custodial credit risk.

## New Albany Public School District

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

#### Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
United States Treasuries	AA+	1 to 5	\$ <u>1,387,495</u>

The district categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. 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 \$1,387,495 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 exposures 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.** Disclosures 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.

## New Albany Public School District

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

### 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	IDEA Part B Fund	\$ 394,537
	Other Governmental Funds	154,523
Reserve for Capital Expenditure Fund	General Fund	1,623,993
	Other Governmental Funds	2
Total		<u>\$ 2,173,055</u>

The primary purpose of the interfund loans was to cover federal and state funds not received prior to year-end and account for the Board's assignment of funds for future capital projects.

#### B. Inter-fund Transfers

Transfers In	Transfers Out	Amount
General Fund	Other Governmental Funds	\$ 1,416
QZAB Sinking Fund	Other Governmental Funds	167,380
Other Governmental Funds	General Fund	401,558
	Other Governmental Funds	30,818
Total		<u>\$ 601,172</u>

The primary purpose of the interfund transfers out of the General Fund and into the Other Governmental Funds was to finance basic of the district that are not directly funded.

### Note 4 - Restricted Assets

The restricted assets represent the investment balance, totaling \$1,387,495 of the QZAB Sinking Fund which is legally restricted and may not be used for purposes that support the district's programs.

# New Albany Public School District

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

### Note 5 - Capital Assets

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

	Balance 7-1-2017	Additions	Deletions	Adjustments	Balance 6-30-2018
<u>Non-depreciable capital assets:</u>					
Land	\$ 975,887				975,887
Total non-depreciable capital assets	975,887	0	0		975,887
<u>Depreciable capital assets:</u>					
Buildings	17,448,521				17,448,521
Building improvements	1,369,191				1,369,191
Improvements other than buildings	475,957				475,957
Mobile equipment	2,265,022	695,500	305,214		2,655,308
Furniture and equipment	1,252,439	113,538			1,365,977
Lease property under capital leases		1,232,834			1,232,834
Total depreciable capital assets	22,811,130	2,041,872	305,214		24,547,788
<u>Less accumulated depreciation for:</u>					
Buildings	7,195,428	304,462			7,499,890
Building improvements	491,138	54,768			545,906
Improvements other than buildings	285,574	19,038			304,612
Mobile equipment	1,449,729	173,339	274,693	(5,040)	1,343,335
Furniture and equipment	992,485	92,999		5,040	1,090,524
Leased property under capital leases		406,835			406,835
Total accumulated depreciation	10,414,354	1,051,441	274,693	0	11,191,102
Total depreciable capital assets, net	12,396,776	990,431	30,521	0	13,356,686
Governmental activities capital assets, net	\$ 13,372,663	990,431	30,521	0	14,332,573

Adjustments were made to correctly present capital assets.

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 736,009
Support services	210,288
Non-instructional	105,144
Total depreciation expense	\$ 1,051,441

## New Albany Public School District

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

#### 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	\$ 1,920,000		775,000	1,145,000	810,000
Premiums	68,445		22,815	45,630	22,815
B. Three mill notes payable	927,857		70,585	857,272	72,361
C. Energy efficiency lease purchase	1,407,961		107,033	1,300,928	109,740
D. Qualified zone academy bonds	1,720,000			1,720,000	
E. Obligation under capital leases	522,489	1,848,834	314,849	2,056,474	575,224
F. Compensated absences payable	206,390		5,922	200,468	
Total	\$ 6,773,142	1,848,834	1,296,204	7,325,772	1,590,140

#### A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series 2009 refunding	3.23%	06-01-10	06-01-20	\$ 7,100,000	1,145,000

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

Year Ending June 30	Principal	Interest	Total
2019	\$ 810,000	45,800	855,800
2020	335,000	13,400	348,400
Total	\$ 1,145,000	59,200	1,204,200

This debt will be retired from the 2001 Bond Repayment Fund.

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

## New Albany Public School District

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

#### **B. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill note payable, Series 2013	2.50%	03-01-13	07-25-28	\$ <u>1,150,000</u>	<u>857,272</u>

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

Year Ending June 30	Principal	Interest	Total
2019	\$ 72,361	20,978	93,339
2020	74,181	19,157	93,338
2021	75,997	17,341	93,338
2022	77,959	15,379	93,338
2023	79,920	13,418	93,338
2024 - 2028	430,759	35,932	466,691
2029	<u>46,095</u>	<u>575</u>	<u>46,670</u>
Total	\$ <u>857,272</u>	<u>122,780</u>	<u>980,052</u>

This debt will be retired from the Three Mill Debt Service Fund.

#### **C. Obligations Under Energy Efficiency Lease**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Energy efficiency lease	2.50%	03-01-13	12-25-28	\$ <u>1,727,000</u>	<u>1,300,928</u>

## New Albany Public School District

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

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

Year Ending June 30		Principal	Interest	Total
2019	\$	109,740	31,274	141,014
2020		112,436	28,578	141,014
2021		115,359	25,655	141,014
2022		118,276	22,738	141,014
2023		121,266	19,747	141,013
2024 - 2028		653,856	51,215	705,071
2029		69,995	512	70,507
Total	\$	<u>1,300,928</u>	<u>179,719</u>	<u>1,480,647</u>

This debt will be retired from the District maintenance Fund.

#### D. Qualified Zone Academy Bonds Payable

As more fully explained in Note 13, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified zone academy bonds	0.00%	06-17-08	07-15-20	\$ <u>1,720,000</u>	<u>1,720,000</u>

#### E. Obligations Under Capital Leases

The school district has entered into several lease agreements as lessee for financing the acquisition of technology equipment. These leases qualify as capital leases for accounting purposes.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Network Equipment	3.27%	08-20-13	09-15-17	\$ 311,566	0
ThinkPad's for Elementary	5.71%	07-21-15	07-21-17	166,990	0
I-Pads for High School	1.84%	07-05-15	07-05-18	600,602	151,261
Chromebooks	6.49%	07-26-16	08-01-19	138,600	56,379
BNA 8 Buses	3.74%	03-05-18	07-15-27	616,000	616,000
Apple - One to One District Wide	3.19%	02-27-18	07-05-21	<u>1,232,834</u>	<u>1,232,834</u>
				\$ <u>3,066,592</u>	<u>2,056,474</u>

## New Albany Public School District

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

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

1. Network Equipment:

This debt was paid off and retired from the District Maintenance Fund.

2. ThinkPad's for Elementary:

This debt was paid off and retired from the District Maintenance Fund.

3. I-Pads for High School:

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$	<u>151,261</u>	<u>2,790</u>	<u>154,051</u>

4. Chromebooks:

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$	46,200	2,276	48,476
2020		10,179	68	10,247
Total	\$	<u>56,379</u>	<u>2,344</u>	<u>58,723</u>

5. BNA 8 Buses:

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$	65,140	8,080	73,220
2020		52,619	20,602	73,221
2021		54,535	18,686	73,221
2022		56,626	16,595	73,221
2023		58,744	14,477	73,221
2024 - 2028		328,336	37,767	366,103
Total	\$	<u>616,000</u>	<u>116,207</u>	<u>732,207</u>

## New Albany Public School District

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

#### 6. Apple - One to One District Wide:

Year Ending June 30		Principal	Interest	Total
2019	\$	312,623	5,868	318,491
2020		300,970	17,521	318,491
2021		306,701	11,791	318,492
2022		312,540	5,951	318,491
Total	\$	<u>1,232,834</u>	<u>41,131</u>	<u>1,273,965</u>

#### Total due on all leases:

Year Ending June 30		Principal	Interest	Total
2019	\$	575,224	19,014	594,238
2020		363,768	38,191	401,959
2021		361,236	30,477	391,713
2022		369,166	22,546	391,712
2023		58,744	14,477	73,221
2024 - 2028		328,336	37,767	366,103
Total	\$	<u>2,056,474</u>	<u>162,472</u>	<u>2,218,946</u>

These debts will be retired from the District Maintenance Fund.

#### **F. Compensated absences payable**

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

#### **Note 7 - Other Commitments**

On August 1, 2015, the district entered into an operating lease for copy machines and printers at \$9,816 per month for 48 months. Lease expenditures for the year ended June 30, 2018, amounted to \$122,073.

Future lease payments for this lease are as follows:

Year Ending June 30		Amount
2019	\$	117,795
2020		<u>9,816</u>
Total	\$	<u>127,611</u>

## New Albany Public School District

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

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

*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2018 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be

## New Albany Public School District

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

amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2018, 2017, and 2017, were \$1,768,846, \$1,640,641, and \$1,769,429, 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 \$26,993,067 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2018 net pension liability was 0.162380 percent, which was based on a measurement date of June 30, 2017. This was a decrease of 0.01262 percent from its proportionate share used to calculate the June 30, 2017 net pension liability, which was based on a measurement date of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$3,198,249. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,263,915	\$ 196,961
Net difference between projected and actual earnings on pension plan investments		2,085,631
Change in assumptions	27,568	
Changes in proportion and differences between District contributions and proportionate share of contributions	580,079	605,220
District contributions subsequent to the measurement date	1,768,846	
Total	<u>\$ 3,640,408</u>	<u>\$ 2,887,812</u>

\$1,768,846 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:

## New Albany Public School District

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

Year Ending June 30:		
2019	\$	(116,012)
2020		(189,585)
2021		(189,245)
2022		(521,408)
Total	\$	<u><u>(1,016,250)</u></u>

*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.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	27.00%	4.60%
International Equity	18.00	4.50
Emerging Markets Equity	4.00	4.75
Global	12.00	4.75
Fixed Income	18.00	0.75
Real Estate	10.00	3.50
Private Equity	8.00	5.10
Emerging Debt	2.00	2.25
Cash	1.00	0.00
Total	<u><u>100.00%</u></u>	

## New Albany Public School District

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

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

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following 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:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 35,403,210	26,993,067	20,010,821

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

## Note 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 issued a stand-alone financial report.

## New Albany Public School District

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

#### *Benefits provided.*

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

#### *Contributions.*

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$83,114 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 \$1,949,601 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

## New Albany Public School District

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

employee. At the measurement date of June 30, 2017, the District's proportion was 0.24848059 percent. This was an increase of 0.00206187 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 \$99,281. 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>
Change of assumptions	\$	\$ 99,273
Changes in proportion and differences between District contributions and proportionate share of contributions	14,322	
District contributions subsequent to the measurement date	83,114	
Total	\$ 97,436	\$ 99,273

\$83,114 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:	
2019	\$ (14,904)
2020	(14,904)
2021	(14,904)
2022	(14,904)
2023	(14,904)
Thereafter	(10,431)
Total	\$ (84,951)

*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:

## New Albany Public School District

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

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

## New Albany Public School District

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

changed from 3.01% to 3.56%.

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

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

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

		1% Decrease (2.56%)		Discount Rate (3.56%)		1% Increase (4.56%)
Net OPEB liability	\$	2,001,089	\$	1,949,601	\$	1,911,258

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

		1% Decrease		Healthcare Cost Trend Rates Current		1% Increase
Net OPEB liability	\$	1,800,587	\$	1,949,601	\$	2,119,716

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

### Note 10 - 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

## **New Albany Public School District**

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

resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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

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

### **Note 11 - Contingencies**

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

**Litigation** - The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district's legal counsel believes that ultimate liability

## **New Albany Public School District**

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

resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

#### **Note 12 - Effect of Deferred Amounts on Net Position**

The unrestricted net position amount of (\$28,336,551) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflows of resources related to pension in the amount of \$1,768,846 resulting from the school district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The \$1,871,562 balance of deferred outflow of resources, at June 30, 2018 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$28,336,551) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$2,887,812 balance of deferred inflow of resources, at June 30, 2018 will be recognized as a revenue and will increase the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$28,336,551) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflows of resources related to OPEB in the amount of \$83,114 resulting from the amount paid by the school district as benefits come due subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. The \$14,322 balance of deferred outflow of resources, at June 30, 2018 will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

The unrestricted net position amount of (\$28,336,551) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$99,273 balance of deferred inflow of resources at June 30, 2018 will be recognized as a revenue and will increase the unrestricted net position over the next 6 years.

#### **Note 13 - Qualified Zone Academy Bonds**

Section 226 of the Taxpayer Relief Act of 1997 (Public law 105-34) provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with the Dean Provence Endowment for Excellence in Education, Crossroads Rehabilitation Services, Wal-Mart Stores, Inc., DWC and Associates, New Albany Publishing Company, Channel 9, Life TV, New Albany Bank Parent Organization and New Albany Elementary School Parent Teacher Organization, has entered into such an arrangement dated June 17, 2008. Those private and not for profit organizations agreed to make cash and in-kind contributions from 2008 through 2013 of \$362,730.

## New Albany Public School District

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

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before June 17, 2008 through July 15, 2020 of each year. The amount on deposit at June 30, 2018, was \$1,387,495. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30,		Amount
2019	\$	140,000
2020		114,000
Total	\$	<u>254,000</u>

#### Note 14 - Alternative School Consortium

The school district entered into an Alternative School Agreement dated March 20, 1996, creating the New Albany, South Tippah and Union County (NASTUC) Alternative School Consortium. This consortium was created pursuant to the provisions of Section 37-13-92(6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the New Albany Public School District, the South Tippah School District and Union County School District.

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

The New Albany Public School District has been designated as the lead school district for NASTUC Alternative School Consortium, and the operations of the consortium are included in its financial statements.

## New Albany Public School District

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

The following Statement of Revenues, Expenditures and Changes in Fund Balance is presented to detail the financial activity of the NASTUC Alternative School Consortium.

#### Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds For the Year Ended June 30, 2018

##### Revenues

###### Local sources

Tuition from other local educational agencies within the State:

South Tippah School District \$ 158,226

Union County School District 158,226

Miscellaneous 67

Total Local sources 316,519

State sources 158,193

Total revenues 474,712

##### Expenditures

Salaries 326,121

Employee benefits 102,496

Purchased professional and technical services 16,366

Purchased property services 15,404

Supplies 7,687

Property 6,003

Other 567

Total Expenditures 474,644

Excess (Deficiency) of Revenues Over Expenditures 68

Net change in fund balance 68

##### Fund Balance:

July 1, 2017 0

June 30, 2018 \$ 68

## Note 15 - Vocational School Consortium

The school district entered into a Vocational Educational Agreement dated April 4, 1969, creating the New Albany-Union County Vocational Center. This Consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The Consortium includes the New Albany Public School District and the Union County School District.

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational educational center. Any such agreement should provide for a designated fiscal agent, the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed, and detail procedures for student admission and transportation services for those students.

## New Albany Public School District

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

The New Albany Public School District has been designated as the fiscal agent for the New Albany-Union County Vocational Center, and the operations of the Consortium are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balance is presented to detail the financial activity of the New Albany-Union County Vocational Center.

#### Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds For the Year Ended June 30, 2018

##### Revenues

###### Local sources

Tuition from other local educational agencies' within the State:

Union County School District	\$	75,932
Total Local sources		<u>75,932</u>

###### State sources

775,833

###### Federal sources

151,556

###### Total revenues

1,003,321

##### Expenditures

###### Salaries

887,090

###### Employee benefits

277,847

###### Purchased professional and technical services

550

###### Purchased property services

66,324

###### Other purchased services

###### Supplies

19,352

###### Property

147,060

###### Other

6,656

###### Total Expenditures

1,404,879

###### Excess (Deficiency) of Revenues Over Expenditures

(401,558)

##### Other Financing Sources/Uses:

###### Transfers In

401,558

###### Total Other Financing Sources/Uses

401,558

###### Net Change in Fund Balance

0

##### Fund Balance:

###### July 1, 2017

0

###### June 30, 2018

\$ 0

## New Albany Public School District

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

### Note 16 - Insurance Loss Recoveries

The New Albany Public School District received \$2,500 in insurance loss recoveries related to building damage during the 2017-2018 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as general revenues.

### Note 17 - Prior Period Adjustment

A summary of significant Net Position adjustments is as follows:

#### Exhibit B - Statement of Activities

Explanation	Amount
1. Implementation of GASB 75:	\$
Net OPEB liability (06-30-17)	(2,011,982)
Deferred outflows - contributions made during fiscal year 2017	<u>76,711</u>
Total prior period adjustment related to GASB 75	<u><u>\$ (1,935,271)</u></u>

### Note 18 - 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 New Albany Public School District evaluated the activity of the district through the date the financial statements were available to be issued, and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statement:

On October 25, 2018, New Albany Public School District approved a \$8,500,000 bond for renovation, roof repair and HVAC units at a 93% pass rate. Construction will begin in May 2019.

## REQUIRED SUPPLEMENTARY INFORMATION

**NEW ALBANY PUBLIC SCHOOL DISTRICT**

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2018

**Exhibit 1**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 5,324,576	5,536,781	5,536,864	212,205	83
State sources	10,802,184	10,838,250	10,838,250	36,066	-
Federal sources	193,145	208,958	208,960	15,813	2
Total Revenues	<u>16,319,905</u>	<u>16,583,989</u>	<u>16,584,074</u>	<u>264,084</u>	<u>85</u>
<b>Expenditures:</b>					
Instruction	10,264,959	9,831,864	9,831,787	433,095	77
Support services	5,786,596	6,360,419	7,593,303	(573,823)	(1,232,884)
Noninstructional services	444	221	221	223	-
Debt service:					
Principal	426,349	421,882	421,882	4,467	-
Interest	45,191	49,568	49,568	(4,377)	-
Other		2,175	2,175	(2,175)	-
Total Expenditures	<u>16,523,539</u>	<u>16,666,129</u>	<u>17,898,936</u>	<u>(142,590)</u>	<u>(1,232,807)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(203,634)</u>	<u>(82,140)</u>	<u>(1,314,862)</u>	<u>121,494</u>	<u>(1,232,722)</u>
<b>Other Financing Sources (Uses):</b>					
Inception of leases	-	616,000	1,848,834	616,000	1,232,834
Insurance recovery	-	2,500	2,500	2,500	-
Operating transfers in	1,210,269	491,651	1,416	(718,618)	(490,235)
Operating transfers out	(990,512)	(891,793)	(401,558)	98,719	490,235
Total Other Financing Sources (Uses)	<u>219,757</u>	<u>218,358</u>	<u>1,451,192</u>	<u>(1,399)</u>	<u>1,232,834</u>
Net Change in Fund Balances	<u>16,123</u>	<u>136,218</u>	<u>136,330</u>	<u>120,095</u>	<u>112</u>
<b>Fund Balances:</b>					
July 1, 2017, as previously stated	2,190,551	2,190,551	2,173,701	-	(16,850)
Prior period adjustments	(16,852)	(16,852)	-	-	16,852
July 1, 2017, as restated	<u>2,173,699</u>	<u>2,173,699</u>	<u>2,173,701</u>	<u>-</u>	<u>2</u>
June 30, 2018	\$ <u>2,189,822</u>	<u>2,309,917</u>	<u>2,310,031</u>	<u>120,095</u>	<u>114</u>

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

**NEW ALBANY PUBLIC SCHOOL DISTRICT**

Budgetary Comparison Schedule

EHA IDEA Part B Fund

For the Year Ended June 30, 2018

**Exhibit 2**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
State sources	\$ -	4,560	4,560	4,560	-
Federal sources	471,477	438,450	438,450	(33,027)	-
Total Revenues	471,477	443,010	443,010	(28,467)	-
<b>Expenditures:</b>					
Instruction	291,210	253,328	253,327	37,882	1
Support services	178,534	189,682	189,683	(11,148)	(1)
Total Expenditures	469,744	443,010	443,010	26,734	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,733	-	-	(1,733)	-
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(1,733)	-	-	1,733	-
Total Other Financing Sources (Uses)	(1,733)	-	-	1,733	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2017	-	-	-	-	-
June 30, 2018	\$ -	-	-	-	-

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

**New Albany Public School District**

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

## PERS

## Last 10 Fiscal Years\*

	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	\$ 26,993,067	31,259,370	27,051,549	20,634,887
District's proportionate share of the net pension liability	0.162380%	0.175000%	0.175000%	0.170000%
District's covered payroll	10,416,768	11,234,463	10,933,790	10,652,095
District's proportionate share of the net pension liability as a percentage of its covered payroll	259.13%	278.25%	247.41%	193.72%
Plan fiduciary net position as a percentage of the total pension liability	61.49%	57.47%	61.70%	67.21%

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

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

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

**New Albany Public School District**  
Schedule of District Contributions  
PERS  
Last 10 Fiscal Years\*

		2018	2017	2016	2015
Contractually required contribution	\$	<u>1,768,846</u>	<u>1,640,641</u>	<u>1,769,429</u>	<u>1,722,073</u>
Contributions in relation to the contractually required contribution		1,768,846	1,640,641	1,769,429	1,722,073
Contribution deficiency (excess)	\$	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
District's covered payroll		11,230,768	10,416,768	11,234,470	10,933,797
Contributions as a percentage of covered payroll		15.75%	15.75%	15.75%	15.75%

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

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

**New Albany Public School District**

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

## OPEB

Last 10 Fiscal Years\*

District's proportionate share of the net OPEB liability	\$	<u>2018</u> 1,949,601
District's proportion of the net OPEB liability		0.24848059%
District's covered-employee payroll		11,163,550 **
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll		17.46%
Plan fiduciary net position as a percentage of the total OPEB liability		0.00%

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

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

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

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

**New Albany Public School District**  
Schedule of District Contributions  
OPEB  
Last 10 Fiscal Years\*

	2018	
Contractually required contribution	\$ <u>83,114</u>	**
Contributions in relation to the contractually required contribution	83,114	**
Contribution deficiency (excess)	\$ <u><u>-</u></u>	
District's covered-employee payroll	\$ 10,606,251	
Contributions as a percentage of covered-employee payroll	0.78%	

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

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in FYE 6/30/18, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

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

## New Albany Public School District

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

#### Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

#### Pension Schedules

(1) *Changes of assumptions*

2015:

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

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

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

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

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

2016:

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

## New Albany Public School District

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

#### 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	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

## New Albany Public School District

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

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

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

## **New Albany Public School District**

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

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

## SUPPLEMENTARY INFORMATION

**NEW ALBANY PUBLIC SCHOOL DISTRICT**

## Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2018

Federal Grantor/ Pass-through Grantor/ Program Title/	Pass-through Entity Identifying Number	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U. S. Department of Agriculture</u></b>			
Passed-through the Mississippi Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	185MS326N1099	10.553	\$ 252,230
National School Lunch Program	185MS326N1099	10.555	742,057
Summer Food Service Program for Children	185MS326N1099	10.559	13,021
Total Child Nutrition Cluster			1,007,308
Total passed-through the Mississippi Department of Education			1,007,308
<b>Total U.S. Department of Agriculture</b>			<b>1,007,308</b>
<b><u>U. S. Department of Defense</u></b>			
Direct program:			
Reserve Officers' Training Corps		12.xxx	33,328
<b>Total U.S. Department of Defense</b>			<b>33,328</b>
<b><u>U. S. Department of Interior</u></b>			
Direct program:			
Payment of lieu of taxes		15.226	46,488
<b>Total U.S. Department of Interior</b>			<b>46,488</b>
<b><u>U. S. Department of Education</u></b>			
Passed-through the Mississippi Department of Education:			
Title I Grants to Local Educational Agencies	ES010A170024	84.010	605,409
Career and Technical Education - Basic Grants to States	V048A170024	84.048	151,556
Twenty-First Century Community Learning Centers	ES287C170024	84.287	181,739
Rural Education	ES358B170024	84.358	36,893
English Language Acquisition State Grants	ES365A170024	84.365	25,793
Supporting Effective Instruction State Grants	ES367A170023	84.367	85,860
Student Support and Academic Enrichment Program	ES424A170025	84.424	12,099
Subtotal			1,099,349
Special Education Cluster:			
Special Education - Grants to States	H027A170108	84.027	443,010
Positive Behavior Specialists	H027A170108	84.027A	34,108
State Systemic Improvement Plan	H027A170108	84.027A	4,780
Special Education - Preschool Grants	H173A170113	84.173	15,911
Total Special Education Cluster			497,809
Total passed-through the Mississippi Department of Education			1,597,158
<b>Total U.S. Department of Education</b>			<b>1,597,158</b>
<b><u>U. S. Department of Health and Human Services</u></b>			
Passed-through the Mississippi Department of Education:			
Medical Assistance Program	1805MS5ADM	93.778	10,349
Total passed-through the Mississippi Department of Education			10,349
<b>Total U.S. Department of Health and Human Services</b>			<b>10,349</b>
Total for All Federal Awards			\$ 2,694,631

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

## New Albany Public School District

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

#### Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

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

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements; however, the expenditures include transfers out. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Indirect Cost Rate

The school district did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Other Items

Donated commodities of \$74,222 are included in the National School Lunch Program.

**NEW ALBANY PUBLIC SCHOOL DISTRICT**

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2018

<b>Expenditures</b>	<b>Total</b>	<b>Instruction and Other Student Instructional Expenditures</b>	<b>General Administration</b>	<b>School Administration</b>	<b>Other</b>
Salaries and fringe benefits \$	15,636,245	12,161,625	690,450	1,130,118	1,654,052
Other	7,486,750	1,819,420	147,780	21,610	5,497,940
Total	\$ 23,122,995	13,981,045	838,230	1,151,728	7,151,992
Total number of students *	2,120				
Cost per student	\$ 10,907	6,595	395	543	3,374

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

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

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

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

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

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

## OTHER INFORMATION

**NEW ALBANY PUBLIC SCHOOL DISTRICT**

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

## General Fund

## Last Four Years

**"UNAUDITED"**

	2018	2017*	2016*	2015*
<b>Revenues:</b>				
Local sources	\$ 5,536,864	5,059,807	5,004,002	4,960,411
State sources	10,838,250	10,985,680	11,124,124	10,361,097
Federal sources	208,960	203,072	150,983	226,623
Total Revenues	<u>16,584,074</u>	<u>16,248,559</u>	<u>16,279,109</u>	<u>15,548,131</u>
<b>Expenditures:</b>				
Instruction	9,831,787	9,864,664	10,511,034	9,484,411
Support services	7,593,303	5,557,356	5,730,513	5,570,903
Noninstructional services	221	351	400	351
Debt service:				
Principal	421,882	448,047	546,108	328,487
Interest	49,568	63,585	55,536	59,281
	2,175			
Total Expenditures	<u>17,898,936</u>	<u>15,934,003</u>	<u>16,843,591</u>	<u>15,443,433</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(1,314,862)</u>	<u>314,556</u>	<u>(564,482)</u>	<u>104,698</u>
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	2,500			5,910
Inception of capital leases	1,848,834	138,600	767,592	138,000
Operating transfers in	1,416	5,989	7,659	9,478
Operating transfers out	(401,558)	(377,651)	(370,119)	(345,516)
Other financing uses			(4,467)	
Total Other Financing Sources (Uses)	<u>1,451,192</u>	<u>(233,062)</u>	<u>400,665</u>	<u>(192,128)</u>
Net Change in Fund Balances	<u>136,330</u>	<u>81,494</u>	<u>(163,817)</u>	<u>(87,430)</u>
<b>Fund Balances:</b>				
Beginning of period	2,173,701	2,092,207	2,256,024	2,343,454
End of period	<u>\$ 2,310,031</u>	<u>2,173,701</u>	<u>2,092,207</u>	<u>2,256,024</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**NEW ALBANY PUBLIC SCHOOL DISTRICT**

## 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	\$ 6,968,929	6,485,637	6,464,838	6,420,900
State sources	11,949,652	11,978,104	12,100,476	11,320,727
Federal sources	2,743,941	2,685,051	2,772,800	2,891,933
Total Revenues	<u>21,662,522</u>	<u>21,148,792</u>	<u>21,338,114</u>	<u>20,633,560</u>
<b>Expenditures:</b>				
Instruction	12,103,863	11,967,177	12,679,977	11,836,110
Support services	8,453,401	6,388,590	6,572,865	6,475,554
Noninstructional services	1,122,133	1,245,321	1,140,811	1,283,115
Debt service:				
Principal	1,267,467	1,256,832	1,308,273	1,064,004
Interest	149,121	194,538	215,909	260,667
Other	27,010	3,240	5,618	2,428
Total Expenditures	<u>23,122,995</u>	<u>21,055,698</u>	<u>21,923,453</u>	<u>20,921,878</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(1,460,473)</u>	<u>93,094</u>	<u>(585,339)</u>	<u>(288,318)</u>
<b>Other Financing Sources (Uses):</b>				
Inception of capital leases	1,848,834	138,600	767,592	138,000
Insurance recovery	2,500			5,910
Transfer from QZAB debt service agent		171,201	142,549	158,183
Payment to QZAB bond escrow agent		(171,201)	(142,549)	(158,183)
Operating transfers in	601,172	383,640	381,389	354,994
Operating transfers out	(601,172)	(383,640)	(381,389)	(354,994)
Other financing uses		(40,922)	(7,793)	
Total Other Financing Sources (Uses)	<u>1,851,334</u>	<u>97,678</u>	<u>759,799</u>	<u>143,910</u>
Net Change in Fund Balances	390,861	190,772	174,460	(144,408)
<b>Fund Balances:</b>				
Beginning of period	6,257,660	6,077,057	5,904,422	6,025,888
Increase (decrease) in inventory	(6,124)	(10,169)	(1,825)	22,942
End of period	<u>\$ 6,642,397</u>	<u>6,257,660</u>	<u>6,077,057</u>	<u>5,904,422</u>

**\*SOURCE - PRIOR YEAR AUDIT REPORTS**

## REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
New Albany Public 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 New Albany Public School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the New Albany Public School District's basic financial statements, and have issued our report thereon dated January 25, 2019.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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 New Albany Public School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC  
January 25, 2019

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
New Albany Public School District

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

We have audited New Albany Public 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 New Albany Public School District's major federal program for the year ended June 30, 2018. The New Albany Public School District's major federal program is identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

## Opinion on Each Major Federal Program

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

## Report on Internal Control Over Compliance

Management of the New Albany Public 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 New Albany Public 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 school district's internal control over compliance.

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

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

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

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
January 25, 2019

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
New Albany Public School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the New Albany Public School District as of and for the year ended June 30, 2018, which collectively comprise New Albany Public School District's basic financial statements and have issued our report thereon dated January 25, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

1929 SPILLWAY ROAD, SUITE B  
BRANDON, MISSISSIPPI 39047  
TELEPHONE 601-992-5292 FAX 601-992-2033

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

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
January 25, 2019

Certified Public Accountants

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## New Albany Public School District

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

#### Section I: Summary of Auditor's Results

##### Financial Statements:

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

##### Federal Awards:

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

CFDA Numbers:	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000.
9. Auditee qualified as low-risk auditee? Yes.
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 2 CFR 200.511(b). No.

#### Section II: Financial Statements Findings

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

#### Section III: Federal Awards Findings and Questioned Costs

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