



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

North Bolivar Consolidated School District

Audited Financial Statements
For the Year Ended June 30, 2018

Fortenberry & Ballard, PC
Certified Public Accountants

North Bolivar Consolidated School District
TABLE OF CONTENTS

	PAGE #
INDEPENDENT AUDITOR’S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION	4
MANAGEMENT’S DISCUSSION AND ANALYSIS	8
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Exhibit A - Statement of Net Position	21
Exhibit B - Statement of Activities	22
Governmental Funds Financial Statements	
Exhibit C - Balance Sheet	24
Exhibit C-1 - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	26
Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances	28
Exhibit D-1 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	30
Fiduciary Funds Financial Statements	
Exhibit E - Statement of Fiduciary Assets and Liabilities	31
Notes to the Financial Statements	33
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	60
Budgetary Comparison Schedule - School Food Service Fund	61
Budgetary Comparison Schedule - Title I A Basic Fund	62
Schedule of the District’s Proportionate Share of the Net Pension Liability	63
Schedule of District Contributions (PERS)	64
Schedule of the District’s Proportionate Share of the Net OPEB Liability	65
Schedule of District Contributions (OPEB)	66
Notes to the Required Supplementary Information	67
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	71
Notes to the Schedule of Expenditures of Federal Awards	72
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	73
OTHER INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years	75
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years	76
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	78
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report On Internal Control Over Compliance Required by the Uniform Guidance.. ..	80
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	84
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	89
AUDITEE’S CORRECTIVE ACTION PLAN AND SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS	97

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
North Bolivar Consolidated School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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 North Bolivar Consolidated 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 60 to 69, 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 North Bolivar Consolidated School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are

not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2019, on our consideration of the North Bolivar Consolidated School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the North Bolivar Consolidated 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 North Bolivar Consolidated School District's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
August 23, 2019

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

North Bolivar Consolidated School District

Management's Discussion and Analysis

For the Year Ended June 30, 2018

The following discussion and analysis of North Bolivar Consolidated 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 \$2,313,159, including a prior period adjustment of (\$1,504,722), due primarily to the effect of recording the net OPEB liability, which represents a 19% decrease from fiscal year 2017. Total net position for 2017 decreased \$1,828,687, including a prior period adjustment of (\$220,659), which represents an 18% decrease from fiscal year 2016.
- General revenues amounted to \$8,056,065 and \$8,379,724 or 74% and 73% 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 \$2,758,530, or 26% of total revenues for 2018, and \$3,122,530, or 27% of total revenues for 2017.
- The District had \$11,623,032 and \$13,110,282 in expenses for fiscal years 2018 and 2017; only \$2,758,530 and 2018 and only \$3,122,530 for 2017 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$8,056,065 for 2018 and \$8,379,724 for 2017 were not adequate to provide for these programs.
- Among the major funds, the General Fund had \$7,730,791 in revenues and \$7,676,287 expenditures for 2018, and \$7,749,031 in revenues and \$8,376,749 in expenditures for 2017. The General Fund's fund balance decreased by \$265,371, from 2017 to 2018, and decreased by \$681,440, which includes a prior period adjustment of \$139,154, from 2016 to 2017.
- Capital assets, net of accumulated depreciation, decreased by \$324,415, including a prior period adjustment of (\$192,933), for 2018 and decreased by \$247,262, including a prior period adjustment of (\$74,306), for 2017. The decrease for 2018 was primarily due to the recording of accumulated depreciation and adjustments made to correct prior year figures.
- Long-term debt decreased by \$356,688 for 2018 and decreased by \$437,370, including a prior period adjustment of (\$217,685), for 2017. The decrease for 2018 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$478 for 2018 and increased by \$19,525 for 2017.

North Bolivar Consolidated School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental funds - Most of the District's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach

North Bolivar Consolidated School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Position, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

North Bolivar Consolidated School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

A net pension liability and net OPEB liability result in liabilities on the government-wide financial statements but are not reported on governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

Notes to the financial statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of District Contributions (PERS), Schedule of the District's Proportionate Share of the Net OPEB Liability, and Schedule of District Contributions (OPEB) as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

Supplementary Information

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

Other Information

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

North Bolivar Consolidated School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

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 \$14,214,675 as of June 30, 2018.

The District's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

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

Table 1
Condensed Statement of Net Position

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
Current assets	\$ 2,859,612	2,408,950	19%
Restricted assets	51,714	93,623	(45)%
Capital assets, net	<u>2,330,165</u>	<u>2,654,580</u>	(12)%
Total assets	<u>5,241,491</u>	<u>5,157,153</u>	2%
Deferred outflows of resources	<u>2,181,780</u>	<u>4,074,428</u>	(46)%
Current liabilities	728,425	195,367	273%
Long-term debt outstanding	392,574	748,784	(48)%
Net OPEB liability	1,272,584		N/A
Net pension liability	<u>17,385,076</u>	<u>19,918,826</u>	(13)%
Total liabilities	<u>19,778,659</u>	<u>20,862,977</u>	(5)%
Deferred inflows of resources	<u>1,859,287</u>	<u>270,120</u>	588%
Net position:			
Net investment in capital assets	1,994,165	1,964,177	2%
Restricted	1,101,287	960,221	15%
Unrestricted	<u>(17,310,127)</u>	<u>(14,825,914)</u>	(17)%
Total net position (deficit)	<u>\$ (14,214,675)</u>	<u>(11,901,516)</u>	(19)%

North Bolivar Consolidated School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (17,310,127)
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>18,335,167</u>
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 1,025,040</u>

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

- Decrease in net capital assets in the amount of \$324,415.
- The principal retirement of \$357,000 of long-term debt.
- Implementation of GASB 75 which resulted in the recognition of a net OPEB liability in the amount of \$1,272,584.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2018 and June 30, 2017 were \$10,814,595 and \$11,502,254, respectively. The total cost of all programs and services was \$11,623,032 for 2018 and \$13,110,282 for 2017.

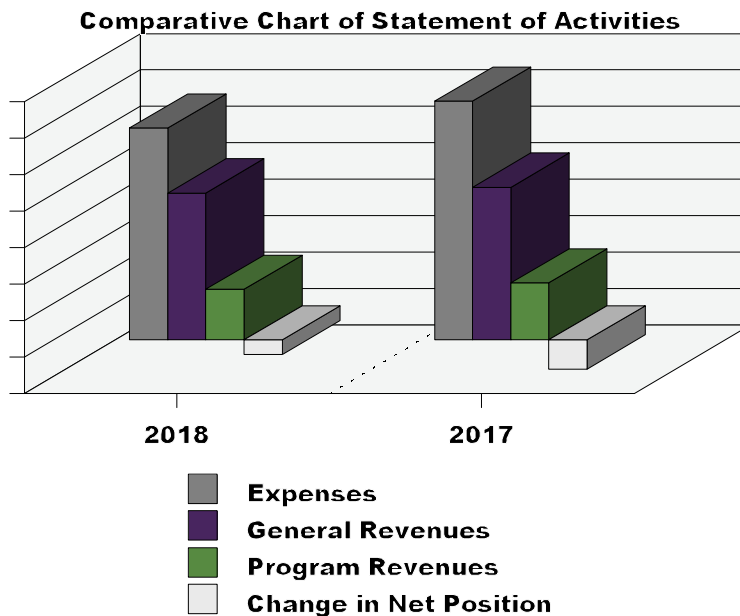
Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2018 and June 30, 2017.

North Bolivar Consolidated School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

Table 2
Changes in Net Position

	Year Ended June 30, 2018	Year Ended June 30, 2017	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 101,754	159,820	(36)%
Operating grants and contributions	2,656,776	2,962,710	(10)%
Total program revenues	2,758,530	3,122,530	(12)%
General Revenues:			
Property taxes	1,599,833	1,488,063	8%
Grants and contributions not restricted	5,933,807	6,386,889	(7)%
Unrestricted investment earnings	1,254	1,070	17%
Sixteenth section sources	316,049	314,932	0%
Other	205,122	188,770	9%
Total general revenues	8,056,065	8,379,724	(4)%
Total revenues	10,814,595	11,502,254	(6)%
Expenses:			
Instruction	5,078,324	5,727,627	(11)%
Support services	3,791,641	3,990,821	(5)%
Non-instructional	841,490	856,281	(2)%
Sixteenth section	800	27,110	(97)%
Pension expense	1,826,447	2,487,880	(27)%
OPEB expense	67,647		N/A
Interest on long-term liabilities	16,683	20,563	(19)%
Total expenses	11,623,032	13,110,282	(11)%
Increase (Decrease) in net position	(808,437)	(1,608,028)	50%
Net Position (Deficit), July 1, as previously reported	(11,901,516)	(10,072,829)	(18)%
Prior period adjustment	(1,504,722)	(220,659)	(582)%
Net position (Deficit), July 1, as restated	(13,406,238)	(10,293,488)	(30)%
Net Position (Deficit), June 30	\$ (14,214,675)	(11,901,516)	(19)%

North Bolivar Consolidated School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018



Governmental activities

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

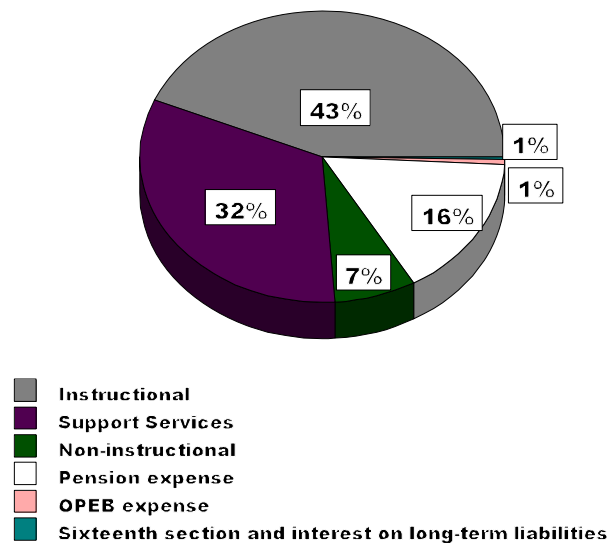
Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2018	2017	
Instruction	\$ 5,078,324	5,727,627	(11)%
Support services	3,791,641	3,990,821	(5)%
Non-instructional	841,490	856,281	(2)%
Sixteenth section	800	27,110	(97)%
Pension expense	1,826,447	2,487,880	(27)%
OPEB expense	67,647		N/A
Interest on long-term liabilities	16,683	20,563	(19)%
Total expenses	\$ 11,623,032	13,110,282	(11)%

North Bolivar Consolidated School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

	<u>Net (Expense) Revenue</u>		
	<u>2018</u>	<u>2017</u>	<u>Percentage Change</u>
Instruction	\$ (4,082,682)	(4,717,565)	13%
Support services	(3,079,621)	(2,953,035)	(4)%
Non-instructional	209,378	218,401	(4)%
Sixteenth section	(800)	(27,110)	97%
Pension expense	(1,826,447)	(2,487,880)	27%
OPEB expense	(67,647)		N/A
Interest on long-term liabilities	<u>(16,683)</u>	<u>(20,563)</u>	<u>19%</u>
Total net (expense) revenue	\$ (8,864,502)	(9,987,752)	11%

Chart of Expenses per Statement of Activities



- Net cost of governmental activities (\$8,864,502 for 2018 and \$9,987,752 for 2017) was financed by general revenue, which is primarily made up of property taxes (\$1,599,833 for 2018 and \$1,488,063 for 2017) and state and federal revenues (\$5,933,807 for 2018 and \$6,386,889 for 2017). In addition, there was \$316,049 and \$314,932 in Sixteenth Section sources for 2018 and 2017, respectively.
- Investment earnings amounted to \$1,254 for 2018 and \$1,070 for 2017.

North Bolivar Consolidated 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 \$2,190,819, a decrease of \$128,181, which includes the prior period adjustment of (\$67,591) and a decrease in inventory of \$1,103. \$1,057,951 or 48% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted or assigned to specific purposes within the general fund. The remaining fund balance of \$1,132,868 or 52% 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 decrease in fund balance in the General Fund for the fiscal year was \$265,371. The fund balance of Other Governmental Funds showed a decrease in the amount of \$30,956, including a prior period adjustment of (\$67,591). The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
School Food Service Fund	\$ 168,146
Title I A Basic Fund	no increase or decrease

BUDGETARY HIGHLIGHTS

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

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

North Bolivar Consolidated 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 \$6,499,290, including land, school buildings, building improvements, improvements other than buildings, mobile equipment, buses, other school vehicles and furniture and equipment. This amount represents a decrease of \$274,790 from 2017. Total accumulated depreciation as of June 30, 2018, was \$4,169,125, and total depreciation expense for the year was \$151,770, resulting in total net capital assets of \$2,330,165.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
Land	\$ 37,690	37,690	0%
Buildings	1,278,723	1,458,256	(12)%
Building improvements	594,179	631,014	(6)%
Improvements other than buildings	31,851	67,882	(53)%
Mobile equipment	384,867	385,802	0%
Furniture and equipment	2,855	73,936	(96)%
Total	<u>\$ 2,330,165</u>	<u>2,654,580</u>	<u>(12)%</u>

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

Debt Administration. At June 30, 2018, the District had \$392,574 in outstanding long-term debt, of which \$64,000 is due within one year. The liability for compensated absences increased \$478 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ 0	295,000	(100)%
Discounts	0	(312)	100%
Three mill notes payable	336,000	398,000	(16)%
Compensated absences payable	56,574	56,096	1%
Total	<u>\$ 392,574</u>	<u>748,784</u>	<u>(48)%</u>

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

North Bolivar Consolidated School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

CURRENT ISSUES

The North Bolivar Consolidated 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 3% to 988 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the North Bolivar Consolidated School District, 204 North Edwards Street, Mound Bayou, MS 38762.

FINANCIAL STATEMENTS

NORTH BOLIVAR CONSOLIDATED SCHOOL DISTRICT**STATEMENT OF NET POSITION**

JUNE 30, 2018

	Governmental Activities
Assets	
<i>Cash and cash equivalents</i>	\$ 2,635,877
<i>Due from other governments</i>	208,747
<i>Inventories</i>	14,988
<i>Restricted assets</i>	51,714
<i>Capital assets, non-depreciable:</i>	
<i>Land</i>	37,690
<i>Capital assets, net of accumulated depreciation:</i>	
<i>Buildings</i>	1,278,723
<i>Building improvements</i>	594,179
<i>Improvements other than buildings</i>	31,851
<i>Mobile equipment</i>	384,867
<i>Furniture and equipment</i>	2,855
Total Assets	<u>5,241,491</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	2,101,989
Deferred outflows - OPEB	79,791
Total Deferred Outflows of Resources	<u>2,181,780</u>
Liabilities	
<i>Accounts payable and accrued liabilities</i>	572,015
<i>Unearned revenue</i>	148,492
<i>Interest payable on long-term liabilities</i>	7,918
Long-term liabilities, due within one year:	
<i>Capital related liabilities</i>	64,000
<i>Net OPEB liability</i>	51,826
Long-term liabilities, due beyond one year:	
<i>Capital related liabilities</i>	272,000
<i>Non-capital related liabilities</i>	56,574
<i>Net pension liability</i>	17,385,076
<i>Net OPEB liability</i>	1,220,758
Total Liabilities	<u>19,778,659</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	1,794,487
Deferred inflows - OPEB	64,800
Total Deferred Inflows of Resources	<u>1,859,287</u>
Net Position	
Net Investment in Capital Assets	1,994,165
Restricted For:	
Expendable:	
School-based activities	665,210
Debt service	307,955
Capital projects	73,687
Unemployment benefits	29,670
Forestry improvements	19,445
Nonexpendable:	
Sixteenth section	5,320
Unrestricted	(17,310,127)
Total Net Position (Deficit)	<u>\$ (14,214,675)</u>

The accompanying notes are an integral part of this statement.

NORTH BOLIVAR CONSOLIDATED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities:				Governmental Activities
<i>Instruction</i>	\$ 5,078,324	\$ 84,536	\$ 911,106	\$ (4,082,682)
<i>Support services</i>	3,791,641	--	712,020	(3,079,621)
<i>Noninstructional services</i>	841,490	17,218	1,033,650	209,378
<i>Sixteenth section</i>	800	--	--	(800)
<i>Pension expense</i>	1,826,447	--	--	(1,826,447)
<i>OPEB expense</i>	67,647	--	--	(67,647)
<i>Interest on long-term liabilities</i>	16,683	--	--	(16,683)
Total Governmental Activities	<u>\$ 11,623,032</u>	<u>\$ 101,754</u>	<u>\$ 2,656,776</u>	<u>(8,864,502)</u>
General Revenues:				
Taxes:				
<i>General purpose levies</i>				1,530,653
<i>Debt purpose levies</i>				69,180
Unrestricted grants and contributions:				
<i>State</i>				5,911,857
<i>Federal</i>				21,950
<i>Unrestricted investment earnings</i>				1,254
<i>Sixteenth section sources</i>				316,049
<i>Other</i>				205,122
Total General Revenues				<u>8,056,065</u>
Change in Net Position				<u>(808,437)</u>
Net Position (Deficit) - Beginning, as previously reported				(11,901,516)
Prior Period Adjustment				(1,504,722)
Net Position (Deficit) - Beginning, as restated				<u>(13,406,238)</u>
Net Position (Deficit) - Ending				<u>\$ (14,214,675)</u>

The accompanying notes are an integral part of this statement.

This page is left blank intentionally.

NORTH BOLIVAR CONSOLIDATED SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2018

	General Fund	School Food Service Fund
Assets:		
<i>Cash and cash equivalents</i>	\$ 1,247,317	\$ 510,517
<i>Cash with fiscal agents</i>	--	--
<i>Due from other governments</i>	107,207	--
<i>Due from other funds</i>	174,058	8,615
<i>Inventories</i>	--	14,988
Total Assets	<u>\$ 1,528,582</u>	<u>\$ 534,120</u>
Liabilities and Fund Balances		
Liabilities:		
<i>Accounts payable and accrued liabilities</i>	\$ 434,469	\$ 18,749
<i>Due to other funds</i>	12,499	--
<i>Unearned revenue</i>	--	--
Total Liabilities	<u>446,968</u>	<u>18,749</u>
Fund Balances:		
Nonspendable:		
Permanent fund principal	--	--
Inventory	--	14,988
Restricted:		
Unemployment benefits	--	--
Forestry improvements	--	--
Capital improvements	--	--
Debt service	--	--
Grant activities	--	--
Food service	--	500,383
Assigned:		
Activity funds	23,663	--
Unassigned	<u>1,057,951</u>	<u>--</u>
Total Fund Balances	<u>1,081,614</u>	<u>515,371</u>
Total Liabilities and Fund Balances	<u>\$ 1,528,582</u>	<u>\$ 534,120</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C

Title I A Basic Fund	Other Governmental Funds	Total Governmental Funds
\$ 191,343	\$ 692,020	\$ 2,641,197
--	46,394	46,394
--	84,030	191,237
--	13,058	195,731
--	--	14,988
<u>\$ 191,343</u>	<u>\$ 835,502</u>	<u>\$ 3,089,547</u>
\$ 49,283	\$ 69,514	\$ 572,015
--	165,722	178,221
142,060	6,432	148,492
<u>191,343</u>	<u>241,668</u>	<u>898,728</u>
--	5,320	5,320
--	--	14,988
--	29,670	29,670
--	19,445	19,445
--	73,687	73,687
--	315,873	315,873
--	149,839	149,839
--	--	500,383
--	--	23,663
--	--	1,057,951
<u>--</u>	<u>593,834</u>	<u>2,190,819</u>
<u>\$ 191,343</u>	<u>\$ 835,502</u>	<u>\$ 3,089,547</u>

NORTH BOLIVAR CONSOLIDATED SCHOOL DISTRICT*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**TO THE STATEMENT OF NET POSITION**JUNE 30, 2018*

Total fund balances for governmental funds	\$ 2,190,819
--------------------------------------------	--------------

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.	2,330,165
Liabilities due in one year are not recognized in the funds.	(115,826)
Payables for bond interest which are not due in the current period are not reported in the funds.	(7,918)
Payables for notes which are not due in the current period are not reported in the funds.	(272,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(56,574)
Recognition of the School District's proportionate share of the net pension liability is not reported in the funds.	(17,385,076)
Deferred Inflows of Resources related to the pension plan are not reported in the funds.	(1,794,487)
Deferred Outflows of Resources related to the pension plan are not reported in the funds.	2,101,989
Recognition of the School District's proportionate share of the net OPEB liability is not reported in the funds.	(1,220,758)
Deferred Inflows of Resources related to the OPEB plan are not reported in the funds.	(64,800)
Deferred Outflows of Resources related to the OPEB plan are not reported in the funds.	79,791

Net position of governmental activities	\$ <u>(14,214,675)</u>
-----------------------------------------	------------------------

The accompanying notes are an integral part of this statement.

This page is left blank intentionally.

NORTH BOLIVAR CONSOLIDATED SCHOOL DISTRICT**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES****IN FUND BALANCES - GOVERNMENTAL FUNDS****FOR THE YEAR ENDED JUNE 30, 2018**

	General Fund	School Food Service Fund
Revenues:		
Local sources	\$ 1,818,873	\$ 19,189
State sources	5,571,460	7,077
Federal sources	24,085	998,739
Sixteenth section sources	316,373	--
Total Revenues	<u>7,730,791</u>	<u>1,025,005</u>
Expenditures:		
Instruction	4,294,019	--
Support services	3,375,949	65,478
Noninstructional services	6,319	757,993
Sixteenth section	--	--
Debt service:		
Principal	--	--
Interest	--	--
Other	--	--
Total Expenditures	<u>7,676,287</u>	<u>823,471</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>54,504</u>	<u>201,534</u>
Other Financing Sources (Uses):		
Operating transfers in	36,657	--
Operating transfers out	(356,532)	(32,285)
Total Other Financing Sources (Uses)	<u>(319,875)</u>	<u>(32,285)</u>
Net change in fund balances	<u>(265,371)</u>	<u>169,249</u>
Fund Balances:		
July 1, 2017, as previously reported	1,346,985	347,225
Prior period adjustments	--	--
July 1, 2017, as restated	<u>1,346,985</u>	<u>347,225</u>
Increase (Decrease) in inventory	--	(1,103)
June 30, 2018	<u>\$ 1,081,614</u>	<u>\$ 515,371</u>

The accompanying notes are an integral part of this statement.

Title I A Basic Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 69,561	\$ 1,907,623
--	534,180	6,112,717
891,544	563,498	2,477,866
--	16	316,389
<u>891,544</u>	<u>1,167,255</u>	<u>10,814,595</u>
410,363	833,960	5,538,342
393,165	253,064	4,087,656
88,016	19,994	872,322
--	800	800
--	357,000	357,000
--	16,387	16,387
--	1,575	1,575
<u>891,544</u>	<u>1,482,780</u>	<u>10,874,082</u>
--	(315,525)	(59,487)
--	436,566	473,223
--	(84,406)	(473,223)
<u>--</u>	<u>352,160</u>	<u>--</u>
--	36,635	(59,487)
--	624,790	2,319,000
--	(67,591)	(67,591)
<u>--</u>	<u>557,199</u>	<u>2,251,409</u>
--	--	(1,103)
<u>\$ --</u>	<u>\$ 593,834</u>	<u>\$ 2,190,819</u>

NORTH BOLIVAR CONSOLIDATED 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	\$ (59,487)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	20,288
The depreciation of capital assets used in governmental activities is not reported in the funds.	(151,770)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	295,000
Repayment of notes principal is an expenditure in the funds but is not an expense in the SOA.	62,000
(Increase) decrease in accrued interest from beginning of period to end of period.	3,876
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(478)
Change in inventory affects fund balance in the funds but affects expense in the SOA.	(1,103)
Bond discounts are reported in the funds but not in the SOA.	(312)
Deferred Outflows of Resources related to refunding of debt is amortized in the SOA but not in the funds.	(2,285)
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.	865,676
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(1,826,447)
Amounts paid by employer as benefits come due subsequent to measurement date of NOL and before end of reporting period.	54,252
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	(67,647)
Change in net position of governmental activities	\$ <u>(808,437)</u>

The accompanying notes are an integral part of this statement.

NORTH BOLIVAR CONSOLIDATED SCHOOL DISTRICT*STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**FIDUCIARY FUNDS**JUNE 30, 2018*

	Agency Funds
Assets	
<i>Cash and cash equivalents</i>	\$ 22,716
Total Assets	\$ <u>22,716</u>
Liabilities	
<i>Due to student clubs</i>	\$ 5,206
<i>Due to other funds</i>	17,510
Total Liabilities	\$ <u>22,716</u>

The accompanying notes are an integral part of this statement.

North Bolivar Consolidated School District

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

North Bolivar Consolidated 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 "primary government." The school district is governed by a five member board to which each member board is elected by the citizens of each defined county district.

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

B. Government-wide and Fund Financial Statements

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

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

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds,

North Bolivar Consolidated School District

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

notes and other debt attributable to the acquisition, construction or improvement of those assets.

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

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

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

The school district reports the following major governmental funds:

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

School Food Service Fund - This special revenue fund is used to account for the financial resources associated with the federal grants in the Child Nutrition Cluster, which provides nutritious breakfasts and lunches to the district's students.

Title I A Basic Fund - This is a special revenue fund that accounts for the federal revenue received and expenditures incurred related to the Title I grants to local educational agencies program.

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

North Bolivar Consolidated School District

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

The District's fiduciary funds include the following:

Student Club Funds - These funds are used to account for the transaction of student clubs.

Payroll Clearing Fund - This fund is used as a clearing account for payroll and payroll related transactions.

Accounts Payable Clearing Fund - This fund serves as a clearing fund for accounts payable type transactions.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

North Bolivar Consolidated School District

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

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

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

North Bolivar Consolidated School District

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

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.

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,

North Bolivar Consolidated School District

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

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 expenditures in the period of acquisition.

North Bolivar Consolidated School District

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

5. Restricted Assets

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

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the governmental activities 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.

The following schedule details the capitalization thresholds:

North Bolivar Consolidated School District

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

	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 has a deferred outflow which is presented as a deferred outflow for pension.

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 has a deferred inflow which is presented as a deferred inflow for pension.

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

North Bolivar Consolidated 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

North Bolivar Consolidated School District

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

payable in accordance with the benefit terms. Fiduciary net position was zero as of the measurement date of June 30, 2017.

12. Fund Balances

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the 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

North Bolivar Consolidated School District

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

governmental funds, it may be necessary to report a negative unassigned fund balance.

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 3% of general fund expenditures.

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 Cash with Fiscal Agents

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits 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

North Bolivar Consolidated School District

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

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits 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 \$2,641,197 and \$22,716, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2018, none of the district's bank balance of \$2,938,875 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$46,394.

North Bolivar Consolidated 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	Other Governmental Funds	\$ 156,548
	Fiduciary Funds	17,510
School Food Service Fund	Other Governmental Funds	8,615
Other Governmental Funds	General Fund	12,499
	Other Governmental Funds	559
Total		\$ <u>195,731</u>

The primary purpose of the inter-fund receivables and payables is to close out federal program funds at year end. All inter-fund receivables and payables are expected to be repaid within one year.

B. Inter-fund Transfers

Transfers In	Transfers Out	Amount
General Fund	School Food Service Fund	\$ 32,285
	Other Governmental Funds	4,372
Other Governmental Funds	General Fund	356,532
	Other Governmental Funds	80,034
Total		\$ <u>473,223</u>

The primary purpose of the inter-fund transfers was to transfer General Fund monies to various other governmental funds for operating purposes. These transfers were consistent with the activities of the fund making the transfer.

Note 4 - Restricted Assets

The restricted assets represent the cash balance, totaling \$5,320, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash with fiscal agents balance, totaling \$46,394, of the MAEP Debt Retirement Fund.

North Bolivar Consolidated 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	Adjustments	Balance 6-30-2018
<u>Non-depreciable capital assets:</u>				
Land	\$ 37,690			37,690
Total non-depreciable capital assets	37,690	0	0	37,690
<u>Depreciable capital assets:</u>				
Buildings	3,295,287			3,295,287
Building improvements	920,876			920,876
Improvements other than buildings	109,597		(56,513)	53,084
Mobile equipment	1,801,379	11,000	(142,430)	1,669,949
Furniture and equipment	609,251	9,288	(96,135)	522,404
Total depreciable capital assets	6,736,390	20,288	(295,078)	6,461,600
<u>Less accumulated depreciation for:</u>				
Buildings	1,837,031	30,024	149,509	2,016,564
Building improvements	289,862	36,835		326,697
Improvements other than buildings	41,715	2,123	(22,605)	21,233
Mobile equipment	1,415,577	69,320	(199,815)	1,285,082
Furniture and equipment	535,315	13,468	(29,234)	519,549
Total accumulated depreciation	4,119,500	151,770	(102,145)	4,169,125
Total depreciable capital assets, net	2,616,890	(131,482)	(192,933)	2,292,475
Governmental activities capital assets, net	\$ 2,654,580	(131,482)	(192,933)	2,330,165

Adjustments were made to properly present capital assets at year end.

Depreciation expense was charged to the following governmental functions:

	Amount
Instructional	\$ 106,239
Support services	30,354
Non-instructional	15,177
Total depreciation expense	\$ 151,770

North Bolivar Consolidated 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	Deletions	Balance 6-30-2018	Amounts due within one year
A. Limited obligation bonds payable	\$	295,000		295,000	0	
Discounts		(312)		(312)	0	
B. Three mill notes payable		398,000		62,000	336,000	64,000
C. Compensated absences payable		56,096	478		56,574	
Total	\$	748,784	478	356,688	392,574	64,000

A. Limited obligation bonds payable

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

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax notes	3.05%	09-21-12	09-21-22	\$ 627,000	336,000

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

Year Ending June 30	Principal	Interest	Total
2019	\$ 64,000	10,248	74,248
2020	66,000	8,296	74,296
2021	67,000	6,283	73,283
2022	69,000	4,240	73,240
2023	70,000	2,135	72,135
Total	\$ 336,000	31,202	367,202

This debt will be retired from the Three Mill Note Retirement Fund.

C. Compensated absences payable

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

North Bolivar Consolidated School District

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

Note 7 - Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

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

North Bolivar Consolidated School District

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

established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2018, 2017 and 2016, were \$865,676, \$1,056,668, and \$1,123,555, 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 \$17,385,076 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 0.104582 percent, which was based on a measurement date of June 30, 2017. This was a decrease of 0.00693 percent from its proportionate share used to calculate the June 30, 2017 net pension liability, which was based on a measurement date of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$1,826,447. 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	\$ 807,757	\$ 126,854
Net difference between projected and actual earnings on pension plan investments		1,343,265
Changes in assumptions	17,755	
Changes in proportion and differences between District contributions and proportionate share of contributions	410,801	324,368
District contributions subsequent to the measurement date	865,676	
Total	<u>\$ 2,101,989</u>	<u>\$ 1,794,487</u>

\$865,676 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:

North Bolivar Consolidated School District

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

Year ending June 30:		
2019	\$	(90,657)
2020		(35,444)
2021		(96,256)
2022		(335,817)
Total	\$	<u>(558,174)</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>100%</u>	

North Bolivar Consolidated 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 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 22,801,690	\$ 17,385,076	\$ 12,888,113

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

Note 8 - Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

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

North Bolivar Consolidated 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 \$54,252 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 \$1,272,584 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the

North Bolivar Consolidated School District

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

measurement date of June 30, 2017, the District's proportion was 0.16219340 percent. This was an increase of 0.00367672 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 \$67,647. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	\$	\$ 64,800
Changes in proportion and differences between District contributions and proportionate share of contributions	25,539	
District contributions subsequent to the measurement date	54,252	
Total	\$ 79,791	\$ 64,800

\$54,252 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	\$ (6,888)
2020	(6,888)
2021	(6,888)
2022	(6,888)
2023	(6,888)
Thereafter	(4,821)
Total	\$ (39,261)

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:

North Bolivar Consolidated 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
Pre-Medicare	ultimate rate of 5.00 percent by 2023

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

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

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

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

North Bolivar Consolidated School District

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

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

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

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

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

		1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Net OPEB liability	\$	1,306,192	\$ 1,272,584	\$ 1,247,556

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	\$	1,175,317	\$ 1,272,584	\$ 1,383,625

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

Note 9 - Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as described below, the district carries commercial insurance for these risks. Settled

North Bolivar Consolidated School District

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

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 72 school districts and covers risks of loss arising from injuries to the member's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess up to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. This district has not had an additional assessment for excess losses incurred by the pool.

Note 10 - Contingencies

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

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

Note 11 - Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be

North Bolivar Consolidated School District

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

made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases. Because renewed leases were not submitted to the Secretary of State 30 days after the renewal, a schedule could not be prepared. See state compliance Finding 2.

Note 12 - Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$17,310,127) 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 \$865,676 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 \$1,236,313 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 (\$17,310,127) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$1,794,487 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 (\$17,310,127) 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 \$54,252 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 \$25,539 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 (\$17,310,127) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$64,800 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.

North Bolivar Consolidated School District

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

Note 13 - Prior Period Adjustments

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

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
1. Implementation of GASB 75:	\$
Net OPEB Liability (06-30-17)	(1,294,271)
Deferred outflows contributions made during fiscal year 2017	<u>50,073</u>
Total prior period adjustment related to GASB 75	(1,244,198)
2. Adjustments were made to properly present capital assets at year end.	(192,933)
3. Adjustments were made to properly present receivable at year end.	<u>(67,591)</u>
Total	\$ <u><u>(1,504,722)</u></u>

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

<u>Major Funds</u>	<u>Explanation(s)</u>	<u>Amount</u>
Other Governmental Fund	Adjustments were made to properly present receivable at year end.	\$ <u><u>(67,591)</u></u>

Note 14 - 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 North Bolivar Consolidated School District evaluated the activity of the district through the date the financial statements were available to be issued, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statement.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH BOLIVAR CONSOLIDATED SCHOOL DISTRICT

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2018

Exhibit 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 1,824,414	1,796,849	1,818,873	(27,565)	22,024
State sources	5,530,878	5,582,849	5,571,460	51,971	(11,389)
Federal sources	47,000	21,950	24,085	(25,050)	2,135
Sixteenth section sources	534,600	316,373	316,373	(218,227)	-
Total Revenues	7,936,892	7,718,021	7,730,791	(218,871)	12,770
Expenditures:					
Instruction	5,118,483	4,270,353	4,294,019	848,130	(23,666)
Support services	3,209,893	3,369,579	3,375,949	(159,686)	(6,370)
Noninstructional services	9,250	6,319	6,319	2,931	-
Total Expenditures	8,337,626	7,646,251	7,676,287	691,375	(30,036)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(400,734)	71,770	54,504	472,504	(17,266)
Other Financing Sources (Uses):					
Operating transfers in	1,886,001	1,876,373	36,657	(9,628)	(1,839,716)
Operating transfers out	(1,960,687)	(2,064,912)	(356,532)	(104,225)	1,708,380
Total Other Financing Sources (Uses)	(74,686)	(188,539)	(319,875)	(113,853)	(131,336)
Net Change in Fund Balances	(475,420)	(116,769)	(265,371)	358,651	(148,602)
Fund Balances:					
July 1, 2017	2,001,640	1,325,215	1,346,985	(676,425)	21,770
June 30, 2018	\$ 1,526,220	1,208,446	1,081,614	(317,774)	(126,832)

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

NORTH BOLIVAR CONSOLIDATED SCHOOL DISTRICT

Budgetary Comparison Schedule

School Food Service Fund

For the Year Ended June 30, 2018

Exhibit 2

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 22,733	19,190	19,189	(3,543)	(1)
State sources	8,250	7,077	7,077	(1,173)	-
Federal sources	894,649	998,738	998,739	104,089	1
Total Revenues	925,632	1,025,005	1,025,005	99,373	-
Expenditures:					
Support services	64,506	65,478	65,478	(972)	-
Noninstructional services	765,700	757,993	757,993	7,707	-
Total Expenditures	830,206	823,471	823,471	6,735	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	95,426	201,534	201,534	106,108	-
Other Financing Sources (Uses):					
Operating transfers out	(60,000)	(32,285)	(32,285)	27,715	-
Total Other Financing Sources (Uses)	(60,000)	(32,285)	(32,285)	27,715	-
Net Change in Fund Balances	35,426	169,249	169,249	133,823	-
Fund Balances:					
July 1, 2017	250,000	346,122	347,225	96,122	1,103
Increase (decrease) in inventory	-	-	(1,103)	-	(1,103)
June 30, 2018	\$ 285,426	515,371	515,371	229,945	-

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

NORTH BOLIVAR CONSOLIDATED SCHOOL DISTRICT

Budgetary Comparison Schedule

Title I A Basic Fund

For the Year Ended June 30, 2018

Exhibit 3

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 1,146,439	2,332,975	891,544	1,186,536	(1,441,431)
Total Revenues	<u>1,146,439</u>	<u>2,332,975</u>	<u>891,544</u>	<u>1,186,536</u>	<u>(1,441,431)</u>
Expenditures:					
Instruction	459,487	1,137,058	410,363	(677,571)	726,695
Support services	605,199	1,020,973	393,165	(415,774)	627,808
Noninstructional services	<u>81,753</u>	<u>174,944</u>	<u>88,016</u>	<u>(93,191)</u>	<u>86,928</u>
Total Expenditures	<u>1,146,439</u>	<u>2,332,975</u>	<u>891,544</u>	<u>(1,186,536)</u>	<u>1,441,431</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
July 1, 2017				-	-
June 30, 2018	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

North Bolivar Consolidated School District

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

PERS

Last 10 Fiscal Years*

	2018	2017	2016	2015
District's proportionate share of the net pension liability \$	17,385,076	19,918,826	17,079,111	13,867,008
District's proportion of the net pension liability	0.104582%	0.111512%	0.110487%	0.114243%
District's covered payroll	6,709,003	7,133,683	6,902,578	6,980,825
District's proportionate share of the net pension liability as a percentage of its covered payroll	259.13%	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	61.49%	57.47%	61.70%	67.21%

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

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

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

North Bolivar Consolidated School District
Schedule of District Contributions
PERS
Last 10 Fiscal Years*

	2018	2017	2016	2015
Contractually required contribution	\$ 865,676	1,056,668	1,123,555	1,087,156
Contributions in relation to the contractually required contribution	865,676	1,056,668	1,123,555	1,087,156
Contribution deficiency (excess)	\$ -	-	-	-
District's covered payroll	5,496,356	6,709,003	7,133,683	6,902,578
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.

North Bolivar Consolidated 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> 1,272,584
District's proportion of the net OPEB liability		0.16219340%
District's covered-employee payroll		7,286,903 **
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.

North Bolivar Consolidated School District
Schedule of District Contributions
OPEB
Last 10 Fiscal Years*

	2018	
Contractually required contribution	\$ <u>54,252</u>	**
Contributions in relation to the contractually required contribution	54,252	**
Contribution deficiency (excess)	\$ <u><u>-</u></u>	
District's covered-employee payroll	6,819,649	
Contributions as a percentage of covered-employee payroll	0.80%	

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.

North Bolivar Consolidated School District

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

Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *Changes of assumptions*

2015:

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

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

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

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

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

2016:

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

2017:

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

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

North Bolivar Consolidated School District

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

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

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

(2) *Changes in benefit provisions*

2016:

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

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

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

OPEB Schedules

(1) *Changes of assumptions*

2017:

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

(2) *Changes in benefit provisions*

2017:

None

North Bolivar Consolidated School District

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

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

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

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

SUPPLEMENTARY INFORMATION

NORTH BOLIVAR CONSOLIDATED SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2018

Federal Grantor/ Pass-through Grantor/ Program Title/	Pass-through Entity Identifying Number	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U. S. Department of Agriculture</u>			
Passed-through the Mississippi Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	185MS326N1099	10.553	\$ 339,393
National School Lunch Program	185MS326N1099	10.555	654,956
Summer Food Service Program for Children	185MS326N1099	10.559	20,158
Total Child Nutrition Cluster			<u>1,014,507</u>
Child and Adult Care Food Program	185MS340N1050	10.558	4,389
Total passed-through the Mississippi Department of Education			<u>1,018,896</u>
Total U.S. Department of Agriculture			<u>1,018,896</u>
<u>U. S. Department of Education</u>			
Passed-through the Mississippi Department of Education:			
Title I Grants to Local Educational Agencies	ES010A170024	84.010	957,163
Career and Technical Education - Basic Grants to States	V048A170024	84.048	15,980
Rural Education	ES358B170024	84.358	13,783
Supporting Effective Instruction State Grants	ES367A170023	84.367	56,291
Student Support and Academic Enrichment Program	ES424A170025	84.424	20,317
Subtotal			<u>1,063,534</u>
Special Education Cluster:			
Special Education - Grants to States	H027A170108	84.027	320,307
Positive Behavior Specialists	H027A170108	84.027A	2,136
Special Education - Preschool Grants	H173A170113	84.173	51,043
Total Special Education Cluster			<u>373,486</u>
Total passed-through the Mississippi Department of Education			<u>1,437,020</u>
Total U.S. Department of Education			<u>1,437,020</u>
<u>U.S. Department of Health and Human Services</u>			
Passed-through the Mississippi Department of Education:			
Medical Assistance Program	1805MS5ADM	93.778	20,588
Social Security Disability Insurance	04-19-04MSD100	96.001	462
Total passed-through Mississippi Department of Education			<u>21,050</u>
Total U.S. Department of Health and Human Services			<u>21,050</u>
Total for All Federal Awards			\$ <u>2,476,966</u>

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

North Bolivar Consolidated School District

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

(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 \$64,370 are included in the National School Lunch Program.

NORTH BOLIVAR CONSOLIDATED SCHOOL DISTRICT

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

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits \$	8,234,425	5,929,696	594,838	613,921	1,095,970
Other	2,639,657	593,140	314,276	109	1,732,132
Total	\$ 10,874,082	6,522,836	909,114	614,030	2,828,102
Total number of students *	988				
Cost per student	\$ 11,006	6,602	920	621	2,863

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

NORTH BOLIVAR CONSOLIDATED SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years

"UNAUDITED"

	2018	2017*	2016*	2015*
Revenues:				
Local sources	\$ 1,818,873	1,651,607	1,660,931	1,859,144
State sources	5,571,460	5,752,375	6,334,921	6,368,799
Federal sources	24,085	29,501	10,352	12,496
Sixteenth section sources	316,373	315,548	613,716	286,774
Total Revenues	<u>7,730,791</u>	<u>7,749,031</u>	<u>8,619,920</u>	<u>8,527,213</u>
Expenditures:				
Instruction	4,294,019	4,991,428	5,388,804	4,710,583
Support services	3,375,949	3,379,331	3,556,509	3,707,298
Noninstructional services	6,319	5,990	18,737	9,108
Sixteenth section	-	-	20	-
Facilities acquisition and construction	-	-	24,595	-
Total Expenditures	<u>7,676,287</u>	<u>8,376,749</u>	<u>8,988,665</u>	<u>8,426,989</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>54,504</u>	<u>(627,718)</u>	<u>(368,745)</u>	<u>100,224</u>
Other Financing Sources (Uses):				
Operating transfers in	36,657	69,330	637,256	93,254
Other financing sources	-	-	-	27,841
Operating transfers out	(356,532)	(262,206)	(534,587)	(285,553)
Total Other Financing Sources (Uses)	<u>(319,875)</u>	<u>(192,876)</u>	<u>102,669</u>	<u>(164,458)</u>
Net Change in Fund Balances	<u>(265,371)</u>	<u>(820,594)</u>	<u>(266,076)</u>	<u>(64,234)</u>
Fund Balances:				
Beginning of period, as previously reported	1,346,985	2,028,425	2,603,840	-
**Statutory Consolidation - North Bolivar School District, June 30,	-	-	-	406,891
**Statutory Consolidation - Mound Bayou School District, June 30,	-	-	-	839,339
July 1, 2014, after Statutory Consolidations	<u>1,346,985</u>	<u>2,028,425</u>	<u>2,603,840</u>	<u>1,246,230</u>
Prior Period Adjustments	-	139,154	(309,339)	76,337
Fund Reclassification	-	-	-	1,345,507
Beginning of period, as restated	<u>1,346,985</u>	<u>2,167,579</u>	<u>2,294,501</u>	<u>2,668,074</u>
End of period	<u>\$ 1,081,614</u>	<u>1,346,985</u>	<u>2,028,425</u>	<u>2,603,840</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

** As a result of the Regular Session Senate Bill No. 2760 passed by the Mississippi Legislature, on July 1, 2014, the North Bolivar School District and Mound Bayou School District were consolidated and formed North Bolivar Consolidated School District. The prior year comparison amounts represent both school districts.

NORTH BOLIVAR CONSOLIDATED SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years

"UNAUDITED"

	2018	2017*	2016*	2015*
Revenues:				
Local sources	\$ 1,907,623	1,826,744	1,849,878	1,953,162
Intermediate sources	-	10,358	-	-
State sources	6,112,717	6,533,835	6,824,736	6,754,235
Federal sources	2,477,866	2,815,764	2,542,693	3,299,725
Sixteenth section sources	316,389	315,553	660,955	286,774
Total Revenues	<u>10,814,595</u>	<u>11,502,254</u>	<u>11,878,262</u>	<u>12,293,896</u>
Expenditures:				
Instruction	5,538,342	6,258,759	6,770,846	6,399,172
Support services	4,087,656	4,304,605	4,575,819	4,664,049
Noninstructional services	872,322	868,562	943,724	1,037,207
Sixteenth section	800	27,110	20	-
Facilities acquisition and construction	-	-	24,595	-
Debt service:				
Principal	357,000	220,000	233,738	206,000
Interest	16,387	21,469	10,700	31,246
Other	1,575	1,880	1,350	1,000
Total Expenditures	<u>10,874,082</u>	<u>11,702,385</u>	<u>12,560,792</u>	<u>12,338,674</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(59,487)</u>	<u>(200,131)</u>	<u>(682,530)</u>	<u>(44,778)</u>
Other Financing Sources (Uses):				
Operating transfers in	473,223	331,537	659,788	402,003
Other financing sources	-	-	-	27,841
Operating transfers out	(473,223)	(331,537)	(665,767)	(402,003)
Other financing uses	-	-	-	(30,289)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(5,979)</u>	<u>(2,448)</u>
Net Change in Fund Balances	(59,487)	(200,131)	(688,509)	(47,226)
Fund Balances:				
Beginning of period, as previously reported	2,319,000	2,386,967	3,377,650	-
**Statutory Consolidation - North Bolivar School District, June 30,	-	-	-	1,596,111
**Statutory Consolidation - Mound Bayou School District, June 30,	-	-	-	1,917,365
July 1, 2014, after Statutory Consolidations	<u>2,319,000</u>	<u>2,386,967</u>	<u>3,377,650</u>	<u>3,513,476</u>
Prior Period Adjustments	(67,591)	139,154	(309,339)	(81,435)
Beginning of period, as restated	<u>2,251,409</u>	<u>2,526,121</u>	<u>3,068,311</u>	<u>3,432,041</u>
Increase (Decrease) in inventory	(1,103)	(6,990)	7,165	(7,165)
End of period	<u>\$ 2,190,819</u>	<u>2,319,000</u>	<u>2,386,967</u>	<u>3,377,650</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

** As a result of the Regular Session Senate Bill No. 2760 passed by the Mississippi Legislature, on July 1, 2014, the North Bolivar School District and Mound Bayou School District were consolidated and formed North Bolivar Consolidated School District. The prior year comparison amounts represent both school districts.

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
North Bolivar Consolidated School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Bolivar Consolidated School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the North Bolivar Consolidated School District's basic financial statements, and have issued our report thereon dated August 23, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify a certain deficiency in internal control that we consider to be a material weakness and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2018-001 to be a material weakness.

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

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2018-002 to be a significant deficiency.

Compliance and Other Matters

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

North Bolivar Consolidated School District's Responses to Findings

The North Bolivar Consolidated School District's responses to the findings identified in our audit are described in the accompanying auditee's corrective action plan. The North Bolivar Consolidated School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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
August 23, 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
North Bolivar Consolidated School District

Report on Compliance for Each Major Federal Program

We have audited North Bolivar Consolidated School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on North Bolivar Consolidated School District's major federal programs for the year ended June 30, 2018. The North Bolivar Consolidated School District's major federal programs are 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 the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of North Bolivar Consolidated School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* 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.

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

Basis for Adverse Opinion on Title I Grants to Local Educational Agencies

As described in the accompanying schedule of findings and questioned costs, the North Bolivar Consolidated School District did not comply with requirements regarding Title I Grants to Local Educational Agencies CFDA# 84.010 as described in finding number 2018-003 for noncompliance with all compliance requirements. Compliance with such requirements is necessary, in our opinion, for the North Bolivar Consolidated School District to comply with the requirements applicable to that program.

Adverse Opinion on Title I Grants to Local Educational Agencies

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the North Bolivar Consolidated School District did not comply, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Title I Grants to Local Educational Agencies for the year ended June 30, 2018.

Unmodified Opinion on Each of the Other Major Federal Program

In our opinion, the North Bolivar Consolidated School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-003, 2018-004 and 2018-005. Our opinion on each major federal program is not modified with respect to these matters.

North Bolivar Consolidated School District's responses to the noncompliance findings identified in our audit are described in the accompanying auditee's corrective action plan. North Bolivar Consolidated School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

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

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 2018-003 and 2018-004 to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 2018-005 and 2018-006 to be significant deficiencies.

North Bolivar Consolidated School District's responses to the internal control over compliance findings identified in our audit are described in the accompanying auditee's corrective action plan. North Bolivar Consolidated School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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
August 23, 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
North Bolivar Consolidated School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Bolivar Consolidated School District as of and for the year ended June 30, 2018, which collectively comprise North Bolivar Consolidated School District's basic financial statements and have issued our report thereon dated August 23, 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 the following instance of noncompliance. The noncompliance is reported in finding number 3 below.

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 disclosed the following instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

Finding 1

Criteria:

Section 27-105-5, Miss. Code Ann. (1972) requires a public depositor to file an annual report with the State Treasurer that contains the name of the public depositor, its tax identification number and provide a list of all bank accounts that held by that depositor within 30 days of fiscal year end. The public depositor is also required to review the information on quarterly reports received by the public depositor from the State Treasurer to ensure that the information regarding accounts held by the public depositor are being correctly reported to the State Treasurer Office.

Condition:

Per the audit procedures performed we noted the annual report was not submitted to the State Treasurer's Office until August 28, 2018.

Cause:

The cause of the above condition is primarily due to management not prioritizing adherence with state compliance.

Effect:

The district was not in compliance with the Section 27-105-5, Miss. Code Ann. (1972).

Recommendation:

We recommend the district comply with Section 27-105-5, Miss. Code Ann. (1972) which requires a public depositor to file an annual report with the State Treasurer that contains the name of the public depositor, its tax identification number and provide a list of all bank accounts that are held by that depositor within 30 days of fiscal year end. District personnel should also review the information on quarterly reports received by the public depositor from the State Treasurer to ensure that the information regarding accounts held by the public depositor are being correctly reported to the State Treasurer Office.

Response:

The district will implement procedures to ensure the public depositor report in compliance with Mississippi Code Section 27-105-5 and is filed on a timely basis.

Finding 2

Criteria:

Section 29-1-3(3), Miss Code Ann (1972) requires MS School Districts to file with the Secretary of State the new sixteenth section lease agreements.

Condition:

During our audit procedures we noted that the Secretary of State website did not reflect the lease agreements on file at the school district.

Cause:

The cause of the above condition is primarily due to lack of a process to ensure compliance with state requirements.

Effect:

The information submitted to the Secretary of State did not match the true rental amounts.

Recommendation:

The district should update the information on file with the Secretary of State to reflect accurate lease information. Changes in leases and new leases should be captured and forwarded to the Secretary of State on a regular basis.

Response:

The district will ensure all updated correspondence is file with the Office of Secretary State as stated in the Mississippi Code Section 29-1-3(3).

Finding 3

Criteria:

Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), requires the Mississippi School Districts to have on file a teacher cardholder agreement signed by each eligible teacher.

Condition:

During our audit procedures it was noted that the school district issued EEF cards to ten (10) federally funded teachers.

Cause:

Procedures were not in place to be followed and ensure compliance with state laws.

Effect:

The district was not in compliance with Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972).

Recommendation:

The district should implement and follow procedures to ensure compliance with state laws.

Response:

The district will establish and follow procedures to ensure all eligible teachers cardholder agreements are signed and in compliance with the Mississippi Code Section 37-61-33(3)(a)(iii).

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

The North Bolivar Consolidated School District's responses to the findings included in this report were not audited and, accordingly, we express no opinion on them.

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
August 23, 2019

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

North Bolivar Consolidated 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? Yes.
 - b. Significant deficiency(ies) identified? Yes.
3. Noncompliance material to financial statements noted? No.

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? Yes.
 - b. Significant deficiency(ies) identified? Yes.
5. Type of auditor's report issued on compliance for major programs:

Child Nutrition Cluster	Unmodified
Title I Grants to Local Educational Agencies	Adverse

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes.
7. Identification of major programs:

CFDA Numbers:	Name of Federal Program or Cluster
10.553, 10.555 & 10.559	Child Nutrition 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? No.

Section II: Financial Statements Findings

The results of our tests disclosed the following findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Material Weakness

Finding 2018-001

Criteria:

The *Financial Accounting Manual for Mississippi Public School Districts* requires that all assets be properly recorded. Improper recording of capital assets affects related depreciation under the requirements of GASB Statement 34.

Condition:

The district is not maintaining subsidiary ledger accurately.

Cause:

Periodic review of subsidiary ledger to ensure accuracy is not being done.

Effect:

These weaknesses, if not corrected, may cause the financial statements to be misstated. Audit adjustments to capital assets were made to reflect actual additions and deletions, as well as the related accumulated depreciation.

Recommendation:

The district should implement procedures and internal controls with regard to the purchase, disposal, and transfer of capital assets by reconciling these items monthly to current month additions and disposal approved by the Board.

Views of Responsible Officials:

The business manager and the capital asset manager establish an internal control system that will ensure all purchase, disposal, and transfer of capital assets is reconciled monthly to reflect actual additions and disposal approved by the board.

Significant Deficiency

Finding 2018-002

Criteria:

An effective system of internal controls is the responsibility of management. Management should establish an internal control system that ensures strong financial accountability and safeguarding of assets. A critical aspect of financial management is the maintenance of accurate accounting records.

Condition:

During our test of invoices, five instances did not have approval of program director, eight instances did not have approval of purchasing agent, one instance where the purchase order was dated after the invoice, and three instances where the invoices were not paid within forty-five days.

Cause:

This is the result of the school district not properly implementing an effective internal control system and maintaining the system.

Effect:

Without a proper internal control system being in place to ensure accurate accounting records, the district increases the risk that the financial statements will contain materially misstated amounts.

Recommendation:

District should implement policies and procedures to establish an internal control system that will ensure strong financial accountability, proper safeguarding of assets, and accurate accounting records.

Views of Responsible Officials:

The business manager will implement procedures to strengthen internal control system that will ensure accurate accounting records, strong financial accountability, and proper safeguarding of assets.

Section III: Federal Awards Findings and Questioned Costs

The results of our tests disclosed the following findings and questioned costs related to the federal awards.

Material Weaknesses and Noncompliance

Finding 2018-003

U.S. Department of Agriculture

Passed through the Mississippi Department of Education

Program Name: Title I Grants to Local Educational Agencies

CFDA# 84.010

Compliance Requirement: Cash Management

Criteria:

Management is responsible for ensuring that draw downs of federal funds are only for the immediate needs of the district.

Condition:

The district's records indicated excess fund balances in Title I Grants to Local Educational Agencies.

Context:

During the course of our audit, the district requested funds in excess of its immediate needs resulting in fund balances in Title I Grants to Local Educational Agencies.

Questioned Costs:

\$142,060

Whether Sampling was Statistically Valid:

No.

Identification of a repeat finding:

No

Cause:

The District's records indicated excess cash balances in the Title I Fund due to the District requesting funds in excess of its immediate needs from the Mississippi Department of Education.

Effect:

The lack of and/or inadequate controls could result in the District forfeiting its reimbursement or not receiving the funds in a timely manner. This deficiency resulted in an adverse opinion on compliance with the cash management requirement of the Title I federal program.

Recommendation:

The District should comply with cash management requirements and draw down cash only for immediate cash needs.

Views of responsible official:

The federal program director and business manager will ensure that all federal fund be requested after the applicable program costs have been paid for the district and maintain accurate documentation.

Finding 2018-004

U.S. Department of Agriculture

Passed through the Mississippi Department of Education

Program Name: Child Nutrition Cluster

CFDA# 10.553, 10.555, and 10.559

Compliance Requirement: Reporting

Criteria:

Management is responsible for compliance with Mississippi Department of Education's policies and procedures manual for child nutrition programs requiring report submissions to Mississippi Department of Education by the 10th following the reporting month.

Condition:

Four reports were not submitted to Mississippi Department of Education by the 10th following the reporting month.

Context:

During test work surrounding submission of monthly claims for reimbursement report by deadline, we noted 4 out of 10 reports required were not submitted to Mississippi Department of Education by the 10th of the month.

Questioned Costs:

None.

Whether Sampling was Statistically Valid:

No.

Identification of a repeat finding:

No

Cause:

The “Monthly Claim for Reimbursement - School Lunch and School Breakfast” reports are not submitted timely on a consistent basis.

Effect:

Lack of adequate internal controls regarding timely submission of reports by deadline could result in the School District not receiving federal reimbursement in a timely manner to cover program expenditures.

Recommendation:

School Board should implement policies and procedures to ensure compliance with the reporting requirements of the Child Nutrition Cluster.

Views of responsible official:

The business manager and the child nutrition director implement procedures to ensure the district is in compliance with the reporting requirements of the Child Nutrition Cluster.

Significant Deficiencies and Noncompliance

Finding 2018-005

U.S. Department of Agriculture

Passed through the Mississippi Department of Education

Program Name: Child Nutrition Cluster

CFDA# 10.553, 10.555, and 10.559

Compliance Requirement: Cash Management

Criteria:

7 CFR Part 210.8 states that in order for the school district to be entitled to reimbursement, they shall submit to the Office of Child Nutrition a monthly claim for reimbursement.

Condition:

During the course of our audit, we found that meals were not reported accurately for two months.

Context:

The Child Nutrition Director did not report the correct number of participants on the monthly claims for the months of October and February. The school district reported less meals than what was actually served.

Questioned Costs:
\$25,000

Cause:
The Child Nutrition Director failed to report the correct number of participants on the monthly claims.

Effect:
Lack of adequate controls concerning submission of the “Monthly Claim for Reimbursement - School Lunch and School Breakfast” reports resulted in the district not receiving the correct amount of federal reimbursement to cover the expenditures of the program.

Identification of a repeat finding:
Yes. See finding 2017-003.

Whether sampling was statically valid:
No.

Recommendation:
Procedures should be established and/or training be provided to facilitate the information being prepared for submission is accurate.

Views of Responsible Officials:
The child nutrition director is new to the district and has received the proper training to facilitate the accurate information is being prepared for submission.

Finding 2018-006

U.S. Department of Agriculture

Passed through the Mississippi Department of Education
Program Name: Title I Grants to Local Educational Agencies
CFDA# 84.010
Compliance Requirement: Allowable Costs/Cost Principles

Criteria:
According to the provisions of 2CFR 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the district is required to document employee time and effort for prorated employees and semi-annual certification for non-prorated employees.

Condition:
The school district failed to provide semi-annual certifications or time and effort distribution records for its Title I employees.

Context:
During the test work surrounding semi-annual certifications or time and effort distribution records, the school district failed to provide the required documents.

Questioned Costs

None.

Cause:

Controls were not in place to ensure the documentation to support the time and effort of employees who are paid from federal awards programs. The Title I Director who was in place during the fiscal year had resigned and the current staff was unable to locate these documents.

Effect:

As a result, controls were not in place to ensure that activities supported the cost objectives.

Identification of a repeat finding:

No.

Whether sampling was statically valid:

No.

Recommendation:

The District should implement controls and procedures to ensure semi-annual certification for non-prorated employees is properly documented.

Views of Responsible Officials:

The federal program director and business manager will establish controls and procedures to ensure semi-annual certification for non-prorated employees is properly documented and filed appropriately.

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

North Bolivar Consolidated School District
204 N Edward Avenue
Mound Bayou, Mississippi 38762

Maurice Smith, Superintendent
Kenyatta McClain, Business Manager

AUDITEE' S CORRECTIVE ACTION PLAN

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards (UG), the North Bolivar Consolidated School District has prepared and hereby submits the following corrective action plan for the findings included in the Scheduled of Findings and Questioned Cost of the year ended June 30, 2018.

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2018-001	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Kenyatta McClain Title: Business Manager Phone Number: 662-339-3781</p> <p>b. Corrective Action Planned:</p> <p>The business manager and the capital asset manager establish an internal control system that will ensure all purchase, disposal and transfer of capital assets is reconciled monthly to reflect actual additions and disposal approved by the board.</p> <p>c. Anticipated Completion Date: September 1, 2019</p>

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2018-002	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Kenyatta McClain Title: Business Manager Phone Number: 662-339-3781</p> <p>b. Corrective Action Planned:</p> <p>The business manager will implement procedures to strengthen internal control system that will ensure accurate accounting records, strong financial accountability, and proper safeguarding of assets.</p>

- c. Anticipated Completion Date: September 1, 2019

Finding Corrective Action Plan Details

- 2018-003 a. Name of Contact Person Responsible for Corrective Action

Name: Kenyatta McClain
Title: Business Manager
Phone Number: 662-339-3781

- b. Corrective Action Planned:

The federal program director and business manager will ensure that all federal fund be requested after the applicable program costs have been paid for the district and maintain accurate documentation.

- c. Anticipated Completion Date: September 1, 2019

Finding Corrective Action Plan Details

- 2018-004 a. Name of Contact Person Responsible for Corrective Action

Name: Kenyatta McClain
Title: Business Manager
Phone Number: 662-339-3781

- b. Corrective Action Planned:

The business manager and the child nutrition director implement procedures to ensure the district is in compliance with the reporting requirements of the Child Nutrition Cluster.

- c. Anticipated Completion Date: September 1, 2019

Finding Corrective Action Plan Details

- 2018-005 a. Name of Contact Person Responsible for Corrective Action

Name: Kenyatta McClain
Title: Business Manager
Phone Number: 662-339-3781

b. Corrective Action Planned:

The child nutrition director is new to the district and has received the proper training to facilitate the accurate information is being prepared for submission.

c. Anticipated Completion Date: September 1, 2019

Finding

Corrective Action Plan Details

2018-006

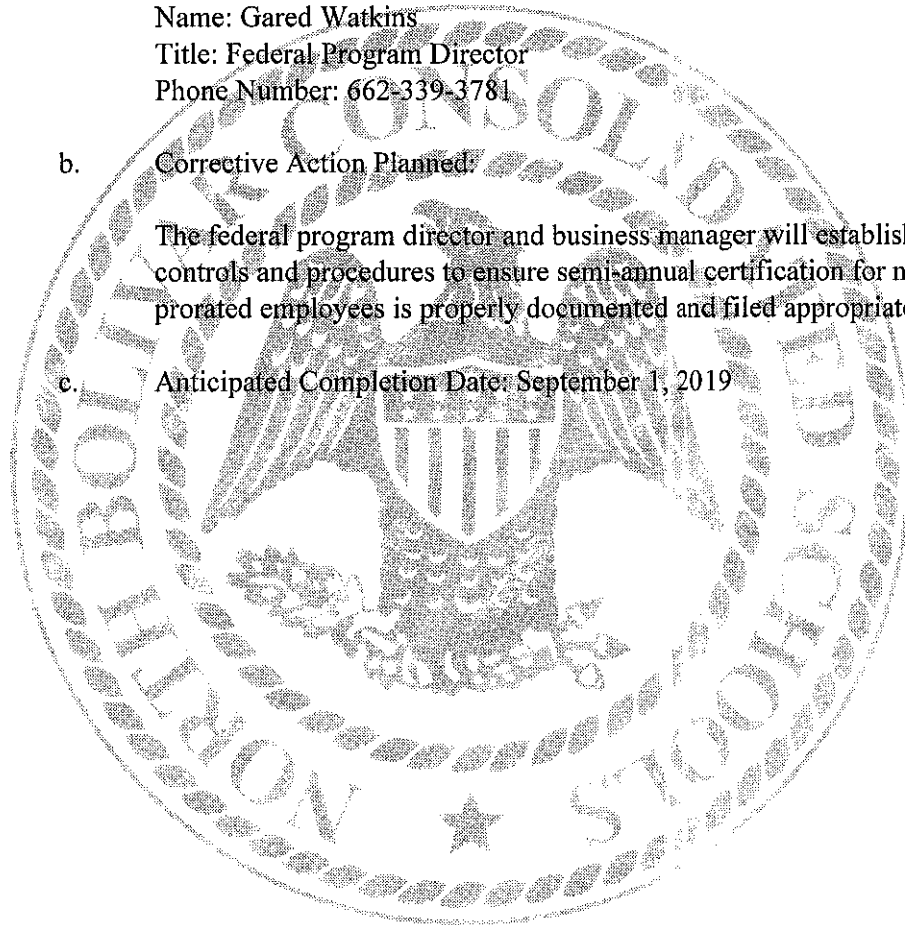
a. Name of Contact Person Responsible for Corrective Action

Name: Gared Watkins
Title: Federal Program Director
Phone Number: 662-339-3781

b. Corrective Action Planned:

The federal program director and business manager will establish controls and procedures to ensure semi-annual certification for non-prorated employees is properly documented and filed appropriately.

c. Anticipated Completion Date: September 1, 2019



North Bolivar Consolidated School District
204 N Edward Avenue
Mound Bayou, Mississippi 38762

Maurice Smith, Superintendent
Kenyatta McClain, Business Manager

PRIOR YEAR AUDIT FINDINGS FOLLOW-UP

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards, the North Bolivar Consolidated School District has prepared and hereby submits the following summary schedule of prior audit findings as of the year ended June 30, 2018.

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2017-001	Partially Corrected (See Findings 2018-002)
2017-002	Corrected
2017-003	Not Corrected (See Finding 2018-005)

