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Noxubee County School District

Audited Financial Statements
For the Year Ended June 30, 2018

Fortenberry & Ballard, PC
Certified Public Accountants

**Noxubee County School District
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Noxubee County School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Noxubee County School District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows 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 63 to 72, 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 Noxubee County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2019, on our consideration of the Noxubee County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Noxubee County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Noxubee County School District's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
August 21, 2019

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following discussion and analysis of Noxubee County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2018. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2018 decreased \$2,608,260, including a prior period adjustment of (\$1,772,590), due primarily to the effect of recording the net OPEB liability, which represents a 43% decrease from fiscal year 2017. Total net position for 2017 decreased \$1,209,913, including a prior period adjustment of \$155,303, which represents a 25% decrease from fiscal year 2016.
- General revenues amounted to \$12,641,286 and \$13,394,036, or 76% and 77% of all revenues for fiscal years 2018 and 2017, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,026,856, or 24% of total revenues for 2018, and \$4,096,228, or 23% of total revenues for 2017.
- The District had \$17,503,812 and \$18,855,480 in expenses for fiscal years 2018 and 2017; only \$4,026,856 for 2018 and \$4,096,228 for 2017 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$12,641,286 for 2018 and \$13,394,036 for 2017 were not adequate to provide for these programs.
- Among the major funds, the General Fund had \$11,665,653 in revenues and \$12,547,015 in expenditures for 2018, and \$12,435,264 in revenues and \$12,980,081 in expenditures for 2017. The General Fund's fund balance decreased by \$1,061,163, from 2017 to 2018, and decreased by \$535,008, including a prior period adjustment of \$155,303, from 2016 to 2017.
- Capital assets, net of accumulated depreciation, decreased by \$559,645 for 2018 and decreased by \$162,453 for 2017. The decrease for 2018 was due primarily to recording of depreciation expense during the year.
- Long-term debt decreased by \$1,125,000 for 2018 and decreased by \$742,000 for 2017. This decrease for 2018 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$11,899 for 2018 and decreased by \$6,258 for 2017.

Noxubee County 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 outflows 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.

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

Noxubee County 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 \$8,713,580 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	\$ 2,960,584	4,288,127	(31)%
Restricted assets	256,116	341,240	(25)%
Capital assets, net	13,601,113	14,160,758	(4)%
Total assets	<u>16,817,813</u>	<u>18,790,125</u>	(10)%
 Deferred outflows of resources	 <u>2,367,543</u>	 <u>6,235,314</u>	 (62)%
 Current liabilities	 1,581,499	 1,593,661	 (1)%
Long-term debt outstanding	618,694	1,731,795	(64)%
Net OPEB liability	1,728,357		N/A
Net pension liability	21,225,415	25,481,567	(17)%
Total liabilities	<u>25,153,965</u>	<u>28,807,023</u>	(13)%
 Deferred inflows of resources	 <u>2,744,971</u>	 <u>2,323,736</u>	 18%
 Net position:			
Net investment in capital assets	13,056,113	12,490,758	5%
Restricted	2,304,728	2,644,070	(13)%
Unrestricted	(24,074,421)	(21,240,148)	(13)%
Total net position (deficit)	<u><u>\$ (8,713,580)</u></u>	<u><u>(6,105,320)</u></u>	(43)%

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

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (24,074,421)
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>23,331,200</u>
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ (743,221)</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 \$559,645.
- The principal retirement of \$1,125,000 of long-term debt.
- Implementation of GASB 75 which resulted in the recognition of a net OPEB liability in the amount of \$1,728,357.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2018 and June 30, 2017 were \$16,668,142 and \$17,490,264, respectively. The total cost of all programs and services was \$17,503,812 for 2018 and \$18,855,480 for 2017.

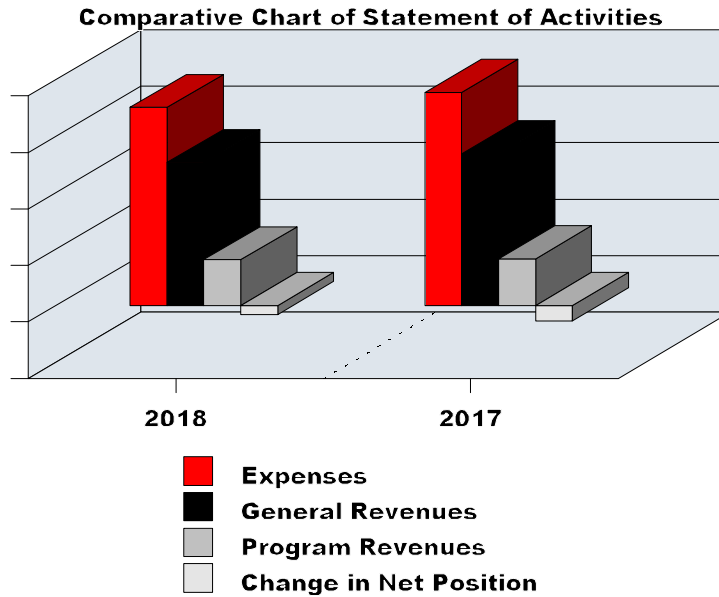
Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2018 and June 30, 2017.

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

Table 2
Changes in Net Position

	<u>Year Ended June 30, 2018</u>	<u>Year Ended June 30, 2017</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 233,965	271,021	(14)%
Operating grants and contributions	3,792,891	3,825,207	(1)%
General revenues:			
Property taxes	3,728,204	3,646,477	2%
Grants and contributions not restricted	8,465,165	8,939,132	(5)%
Unrestricted investment earnings	5,246	24,271	(78)%
Sixteenth section resources	353,379	723,033	(51)%
Other	89,292	61,123	46%
Total revenues	<u>16,668,142</u>	<u>17,490,264</u>	(5)%
Expenses:			
Instruction	7,678,879	7,748,562	(1)%
Support services	7,080,192	7,148,305	(1)%
Non-instructional	1,146,980	1,240,363	(8)%
Sixteenth section	69,492	90,429	(23)%
Pension expense	1,386,395	2,549,168	(46)%
OPEB expense	77,145		N/A
Interest on long-term liabilities	64,729	78,653	(18)%
Total expenses	<u>17,503,812</u>	<u>18,855,480</u>	(7)%
Increase (Decrease) in net position	<u>(835,670)</u>	<u>(1,365,216)</u>	39%
Net Position (Deficit) , July 1, as previously reported	(6,105,320)	(4,895,407)	(25)%
Prior period adjustment	<u>(1,772,590)</u>	155,303	(1,241)%
Net Position(Deficit), July 1, as restated	<u>(7,877,910)</u>	<u>(4,740,104)</u>	(66)%
Net Position (Deficit), June 30	\$ <u><u>(8,713,580)</u></u>	<u><u>(6,105,320)</u></u>	(43)%

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



Governmental activities

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

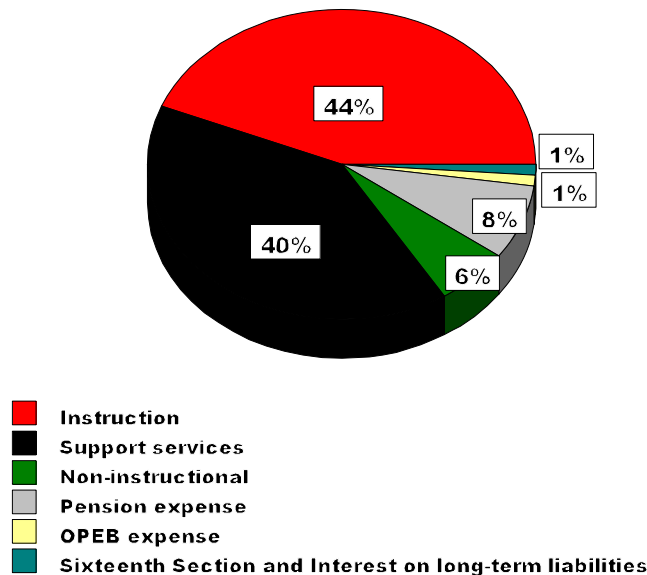
Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		Percentage Change
	2018	2017	
Instruction	\$ 7,678,879	7,748,562	(1)%
Support services	7,080,192	7,148,305	(1)%
Non-instructional	1,146,980	1,240,363	(8)%
Sixteenth section	69,492	90,429	(23)%
Pension expense	1,386,395	2,549,168	(46)%
OPEB expense	77,145		N/A
Interest on long-term liabilities	64,729	78,653	(18)%
Total expenses	\$ 17,503,812	18,855,480	(7)%

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

	Net (Expense) Revenue		
	2018	2017	Percentage Change
Instruction	\$ (6,475,533)	(6,611,152)	2%
Support services	(5,569,634)	(5,554,322)	0%
Non-instructional	165,810	66,359	150%
Sixteenth section	(69,330)	(32,316)	(115)%
Pension expense	(1,386,395)	(2,549,168)	46%
OPEB expense	(77,145)		N/A
Interest on long-term liabilities	(64,729)	(78,653)	18%
Total net (expense) revenue	\$ (13,476,956)	(14,759,252)	9%

Chart of Expenses as per Statement of Activities



- Net cost of governmental activities (\$13,476,956 for 2018 and \$14,759,252 for 2017) was financed by general revenue, which is primarily made up of property taxes (\$3,728,204 for 2018 and \$3,646,477 for 2017) and state and federal revenues of (\$8,465,165 for 2018 and \$8,939,132 for 2017). In addition, there was \$353,379 and \$723,033 in Sixteenth Section sources for 2018 and 2017, respectively.
- Investment earnings amounted to \$5,246 for 2018 and \$24,271 for 2017.

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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$1,641,241, a decrease of \$1,414,379, which includes an increase in inventory of \$6,365. (\$680,151), or (41%) 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 \$2,321,392 or 141% 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 \$1,061,163. The fund balance of Other Governmental Funds showed a decrease in the amount of \$390,020. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund		Increase (Decrease)
School Lunch Fund	\$	35,419
Title I A Basic Fund	\$	(1,147)
Sixteenth Section Principal Fund		2,532

BUDGETARY HIGHLIGHTS

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

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2018, the District's total capital assets were \$25,894,716, 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 \$7,976 from 2017. Total accumulated depreciation as of June 30, 2018, was \$12,293,603, and total depreciation expense for the year was \$608,276, resulting in total net capital assets of \$13,601,113.

Table 4
Capital Assets, Net Accumulated Depreciation

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
Land	\$ 49,211	49,211	0%
Buildings	11,078,250	11,389,086	(3)%
Building improvements	1,355,024	1,494,491	(9)%
Improvements other than buildings	113,044	122,797	(8)%
Mobile equipment	894,315	995,130	(10)%
Furniture and equipment	111,269	110,043	1%
Total	\$ 13,601,113	14,160,758	(4)%

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 \$618,694 in outstanding long-term debt, of which \$295,000 is due within one year. The liability for compensated absences increased \$11,899 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 545,000	830,000	(34)%
Limited obligation bonds payable	0	695,000	(100)%
Three mill notes payable	0	145,000	(100)%
Compensated absences payable	73,694	61,795	19%
Total	\$ 618,694	1,731,795	(64)%

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

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

CURRENT ISSUES

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

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

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

Enrollment for the 2017 - 2018 year decreased by 4% to 1,550 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Noxubee County School District, PO Box 540, Macon, MS 39141.

FINANCIAL STATEMENTS

NOXUBEE COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2018

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 2,322,394
Investments	5,681
Due from other governments	576,283
Other receivables, net	9,539
Inventories	38,289
Prepaid items	8,398
Restricted assets	256,116
Capital assets, non-depreciable:	
Land	49,211
Capital assets, net of accumulated depreciation:	
Buildings	11,078,250
Building improvements	1,355,024
Improvements other than buildings	113,044
Mobile equipment	894,315
Furniture and equipment	111,269
Total Assets	<u>16,817,813</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	2,293,861
Deferred outflows - OPEB	73,682
Total Deferred Outflows of Resources	<u>2,367,543</u>
Liabilities	
Accounts payable and accrued liabilities	1,109,508
Unearned revenue	465,951
Interest payable on long-term liabilities	6,040
Long-term liabilities, due within one year:	
Capital related liabilities	295,000
Net OPEB liability	71,688
Long-term liabilities, due beyond one year:	
Capital related liabilities	250,000
Non-capital related liabilities	73,694
Net pension liability	21,225,415
Net OPEB liability	1,656,669
Total Liabilities	<u>25,153,965</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	2,607,711
Deferred inflows - OPEB	137,260
Total Deferred Inflows of Resources	<u>2,744,971</u>
Net Position	
Net Investment in Capital Assets	13,056,113
Restricted For:	
Expendable:	
School-based activities	880,195
Debt service	197,120
Forestry improvements	232,583
Unemployment benefits	24,960
Nonexpendable:	
Sixteenth section	969,870
Unrestricted	(24,074,421)
Total Net Position (Deficit)	<u>\$ (8,713,580)</u>

The accompanying notes are an integral part of this statement.

NOXUBEE COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities:				Governmental Activities
Instruction	7,678,879	145,426	1,057,920	(6,475,533)
Support services	7,080,192	--	1,510,558	(5,569,634)
Noninstructional services	1,146,980	88,377	1,224,413	165,810
Sixteenth section	69,492	162	--	(69,330)
Pension expense	1,386,395	--	--	(1,386,395)
OPEB expense	77,145	--	--	(77,145)
Interest on long-term liabilities	64,729	--	--	(64,729)
Total Governmental Activities	\$ 17,503,812	\$ 233,965	\$ 3,792,891	(13,476,956)
General Revenues:				
Taxes:				
General purpose levies				3,248,486
Debt purpose levies				479,718
Unrestricted grants and contributions:				
State				8,289,135
Federal				176,030
Unrestricted investment earnings				5,246
Sixteenth section sources				353,379
Other				89,292
Total General Revenues				12,641,286
Change in Net Position				(835,670)
Net Position (Deficit) - Beginning, as previously reported				(6,105,320)
Prior Period Adjustment				(1,772,590)
Net Position (Deficit) - Beginning, as restated				(7,877,910)
Net Position (Deficit) - Ending				\$ (8,713,580)

The accompanying notes are an integral part of this statement.

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

	General Fund	School Lunch Fund
	<hr/>	<hr/>
Assets:		
Cash and cash equivalents	\$ 861,484	\$ 921,557
Cash with fiscal agents	--	--
Investments	5,681	--
Due from other governments	103,033	2,652
Other receivables, net	--	--
Due from other funds	282,321	128,820
Advances to other funds	--	--
Inventories	--	38,289
Prepaid items	5,915	--
Total Assets	<u>\$ 1,258,434</u>	<u>\$ 1,091,318</u>
Liabilities and Fund Balances		
Liabilities:		
Accounts payable and accrued liabilities	\$ 886,489	\$ 72,320
Due to other funds	297,106	223,445
Advances from other funds	744,366	--
Unearned revenue	--	--
Total Liabilities	<u>1,927,961</u>	<u>295,765</u>
Fund Balances:		
Nonspendable:		
Inventory	--	38,289
Permanent fund principal	--	--
Advances	--	--
Prepaid items	5,915	--
Restricted:		
Unemployment benefits	--	--
Forestry improvements	--	--
Debt service	--	--
Grant activities	--	--
Food service	--	757,264
Assigned:		
Activity funds	4,709	--
Unassigned	(680,151)	--
Total Fund Balances	<u>(669,527)</u>	<u>795,553</u>
Total Liabilities and Fund Balances	<u>\$ 1,258,434</u>	<u>\$ 1,091,318</u>

The accompanying notes are an integral part of this statement.

Title I A Basic Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
\$ 139,345	\$ 253,691	\$ 400,008	\$ 2,576,085
--	2,421	4	2,425
--	--	--	5,681
216,756	--	230,845	553,286
--	--	9,539	9,539
270,315	--	2,388	683,844
--	744,366	--	744,366
--	--	--	38,289
--	--	2,483	8,398
<u>\$ 626,416</u>	<u>\$ 1,000,478</u>	<u>\$ 645,267</u>	<u>\$ 4,621,913</u>
\$ 56,699	\$ --	\$ 94,000	\$ 1,109,508
100,000	30,608	9,688	660,847
--	--	--	744,366
451,925	--	14,026	465,951
<u>608,624</u>	<u>30,608</u>	<u>117,714</u>	<u>2,980,672</u>
--	--	--	38,289
--	225,504	--	225,504
--	744,366	--	744,366
--	--	2,483	8,398
--	--	24,960	24,960
--	--	232,583	232,583
--	--	203,160	203,160
17,792	--	64,188	81,980
--	--	179	757,443
--	--	--	4,709
--	--	--	(680,151)
17,792	969,870	527,553	1,641,241
<u>\$ 626,416</u>	<u>\$ 1,000,478</u>	<u>\$ 645,267</u>	<u>\$ 4,621,913</u>

NOXUBEE COUNTY SCHOOL DISTRICT

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

Total fund balances for governmental funds	\$ 1,641,241
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.	13,601,113
Liabilities due in one year are not recognized in the funds.	(366,688)
Payables for bond principal which are not due in the current period are not reported in the funds.	(250,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(6,040)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(73,694)
Recognition of the School District's proportionate share of the net pension liability is not reported in the funds.	(21,225,415)
Deferred Inflows of Resources related to the pension plan are not reported in the funds.	(2,607,711)
Deferred Outflows of Resources related to the pension plan are not reported in the funds.	2,293,861
Recognition of the School District's proportionate share of the net OPEB liability is not reported in the funds.	(1,656,669)
Deferred Inflows of Resources related to the OPEB plan are not reported in the funds.	(137,260)
Deferred Outflows of Resources related to the OPEB plan are not reported in the funds.	73,682
Net position of governmental activities	\$ <u>(8,713,580)</u>

The accompanying notes are an integral part of this statement.

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NOXUBEE COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	School Lunch Fund
Revenues:		
Local sources	\$ 3,482,436	\$ 57,171
State sources	7,675,299	17,109
Federal sources	154,248	1,225,700
Sixteenth section sources	353,670	--
Total Revenues	<u>11,665,653</u>	<u>1,299,980</u>
Expenditures:		
Instruction	6,585,081	--
Support services	5,900,974	135,615
Noninstructional services	3,530	1,043,689
Sixteenth section	57,430	--
Debt service:		
Principal	--	--
Interest	--	--
Other	--	--
Total Expenditures	<u>12,547,015</u>	<u>1,179,304</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(881,362)</u>	<u>120,676</u>
Other Financing Sources (Uses):		
Operating transfers in	233,126	9,688
Operating transfers out	(412,927)	(101,310)
Total Other Financing Sources (Uses)	<u>(179,801)</u>	<u>(91,622)</u>
Net change in fund balances	<u>(1,061,163)</u>	<u>29,054</u>
Fund Balances:		
July 1, 2017	391,636	760,134
Increase (Decrease) in inventory	--	6,365
June 30, 2018	<u><u>\$ (669,527)</u></u>	<u><u>\$ 795,553</u></u>

The accompanying notes are an integral part of this statement.

Title I A Basic Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 32,749	\$ 482,109	\$ 4,054,465
--	--	1,201,809	8,894,217
1,153,649	--	830,242	3,363,839
--	391	1,561	355,622
<u>1,153,649</u>	<u>33,140</u>	<u>2,515,721</u>	<u>16,668,143</u>
512,484	--	1,008,115	8,105,680
516,627	--	974,475	7,527,691
121,209	--	13,993	1,182,421
--	--	12,062	69,492
--	--	1,125,000	1,125,000
--	--	77,365	77,365
--	--	1,238	1,238
<u>1,150,320</u>	<u>--</u>	<u>3,212,248</u>	<u>18,088,887</u>
<u>3,329</u>	<u>33,140</u>	<u>(696,527)</u>	<u>(1,420,744)</u>
--	--	410,394	653,208
(4,476)	(30,608)	(103,887)	(653,208)
<u>(4,476)</u>	<u>(30,608)</u>	<u>306,507</u>	<u>--</u>
<u>(1,147)</u>	<u>2,532</u>	<u>(390,020)</u>	<u>(1,420,744)</u>
18,939	967,338	917,573	3,055,620
--	--	--	6,365
<u>\$ 17,792</u>	<u>\$ 969,870</u>	<u>\$ 527,553</u>	<u>\$ 1,641,241</u>

NOXUBEE COUNTY SCHOOL DISTRICT

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

Net change in fund balances - total governmental funds \$ (1,420,744)

Amounts reported for governmental activities in the Statement of Activities
("SOA") are different because:

Capital outlays are not reported as expenses in the SOA.	37,274
The depreciation of capital assets used in governmental activities is not reported in the funds.	(608,276)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(4,525)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	980,000
Repayment of notes principal is an expenditure in the funds but is not an expense in the SOA.	145,000
(Increase) decrease in accrued interest from beginning of period to end of period.	13,874
Change in inventory affects fund balance in the funds but affects expense in the SOA.	6,365
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(11,899)
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.	1,417,119
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(1,386,395)
Amounts paid by employer as benefits come due subsequent to measurement date of NOL and before end of reporting period.	73,682
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	(77,145)

Change in net position of governmental activities \$ (835,670)

The accompanying notes are an integral part of this statement.

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

	Agency Funds
Assets	
Cash and cash equivalents	\$ 19,933
Due from other governments	12,267
Due from other funds	5,356
Total Assets	<u>\$ 37,556</u>
Liabilities	
Due to student clubs	\$ 8,610
Due to other funds	28,353
Other payables	593
Total Liabilities	<u>\$ 37,556</u>

The accompanying notes are an integral part of this statement.

Noxubee County School District

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

Noxubee County School District

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

Note 1 - Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

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

Noxubee County School District

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

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

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

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

The school district reports the following major governmental funds:

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

School Lunch Fund - This is a special revenue fund that accounts for federal sources received and expenditures incurred under the Food Service Fund.

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.

Sixteenth Section Principal Fund - This is a permanent fund used to account for the nonexpendable resources generated from the sale of non-renewable resources on sixteenth section lands.

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

Noxubee County School District

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

The District's fiduciary funds include the following:

Payroll Clearing Fund - This is a fiduciary fund that accounts for the assets and liabilities associated with the impress clearing activities of the payroll expenditure control cycle.

Student Club Funds - These fiduciary funds account for the assets and liabilities associated with student club activities.

Accounts Payable Clearing Fund - This is a fiduciary fund that accounts for the assets and liabilities associated with the impress clearing activities of the non-payroll expenditure control cycle.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

FIDUCIARY FUNDS

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

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

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

Noxubee County School District

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

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 reported as other financing sources.

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

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

Noxubee County School District

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

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 Sections 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

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

Investments for the district are reported at fair market value.

Noxubee County School District

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

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

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,

Noxubee County School District

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

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

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

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

The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not

Noxubee County School District

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

be recognized as an outflow of resources (expense) until then. The school district has deferred outflows which are presented as deferred outflows for pension and OPEB.

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

See Note 12 for further details.

8. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with school 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 further details.

Noxubee County School District

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

10. Pensions

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

11. Postemployment Benefits Other Than Pensions (OPEB)

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

Noxubee County School District

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

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

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

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

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned 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/expense are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 7% of District Maintenance Fund revenues or 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,

Noxubee County School District

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

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, Cash with Fiscal Agents, and Investments

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

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

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

Noxubee County School District

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

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 \$2,576,085 and \$19,933, 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 \$3,175,061 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 \$2,425.

Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
Certificates of Deposit	N/A	more than one year	\$ <u>5,681</u>

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

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

- Level 1 type of investments of \$5,681 are valued using quoted market prices (Level 1 inputs)

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

Noxubee County School District

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2018, the district did not have any investments to which this would apply.

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

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	School Lunch Fund	\$ 223,445
	Sixteenth Section Principal Fund	30,608
	Fiduciary Funds	28,268
Fiduciary Funds	General Fund	5,356
School Lunch Fund	General Fund	19,132
	Title I A Basic Fund	100,000
	Other Governmental Funds	9,688
Title I A Basic Fund	General Fund	270,230
	Fiduciary Funds	85
Other Governmental Funds	General Fund	2,388
Total		\$ 689,200

The primary purpose of the interfund loans were to eliminate negative cash balances in pooled bank accounts. All interfund receivables and payables are expected to be repaid within one year.

Noxubee County School District

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

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Sixteenth Section Principal Fund	General Fund	\$ <u>744,366</u>

The advances to/from other funds are also referred to as Sixteenth Section Principal Loans payable. This type of interfund balance is described below.

Sixteenth section principal loans payable

Note: The sixteenth section principal loans payable are not reflected on the Statement of Net Position because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Fund) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances. The interest rate on the sixteenth section principal loans payable as of June 30, 2018 is 4.0 percent.

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

Year Ending June 30	Principal	Interest	Total
2019	\$ 76,493	30,607	107,100
2020	79,552	27,548	107,100
2021	82,734	24,366	107,100
2022	86,044	21,056	107,100
2023	89,485	17,615	107,100
2024 - 2028	330,058	33,788	363,846
Total	\$ <u>744,366</u>	<u>154,980</u>	<u>899,346</u>

C. Inter-fund Transfers

Transfers In	Transfer Out	Amount
General Fund	School Lunch Fund	\$ 101,310
	Title I A Basic Fund	4,476
	Sixteenth Section Principal Fund	30,608
	Other Governmental Funds	96,732
School Lunch Fund	General Fund	9,688
Other Governmental Funds	General Fund	403,239
	Other Governmental Funds	7,155
Total		\$ <u>653,208</u>

Noxubee County School District

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

The purposes of the transfers were to provide funds for general operating activities. All transfers were routine and consistent with the fund making the transfer.

Note 4 - Restricted Assets

The restricted assets represent the cash and cash with fiscal agents balances, totaling \$253,691 and \$2,421, respectively, of the Sixteenth Section Principal 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 \$4, of the MAEP Retirement Fund.

Note 5 - Capital Assets

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

	Balance 7-1-2017	Additions	Deletions	Adjustments	Balance 6-30-2018
<u>Non-depreciable capital assets:</u>					
Land	\$ 49,211				49,211
Total non-depreciable capital assets	49,211	0	0	0	49,211
<u>Depreciable capital assets:</u>					
Buildings	17,708,222				17,708,222
Building improvements	4,100,875				4,100,875
Improvements other than buildings	243,828				243,828
Mobile equipment	3,070,795	11,538	45,250		3,037,083
Furniture and equipment	729,761	25,736			755,497
Total depreciable capital assets	25,853,481	37,274	45,250	0	25,845,505
<u>Less accumulated depreciation for:</u>					
Buildings	6,319,136	310,836			6,629,972
Building improvements	2,606,384	139,467			2,745,851
Improvements other than buildings	121,031	9,753			130,784
Mobile equipment	2,075,665	107,828	40,725		2,142,768
Furniture and equipment	619,718	40,392		(15,882)	644,228
Total accumulated depreciation	11,741,934	608,276	40,725	(15,882)	12,293,603
Total depreciable capital assets, net	14,111,547	(571,002)	4,525	15,882	13,551,902
Governmental activities capital assets, net	\$ 14,160,758	(571,002)	4,525	15,882	13,601,113

Adjustments were made to properly present accumulated depreciation at year end.

Noxubee County School District

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

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 445,530
Support services	113,583
Non-instructional	49,163
Total depreciation expense	\$ 608,276

Note 6 - Long-term liabilities

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

	Balance 7-1-2017	Additions	Reductions	Balance 6-30-2018	Amount due within one year
A. General obligation bonds payable	\$ 830,000		285,000	545,000	295,000
B. Limited obligation bonds payable	695,000		695,000	0	
C. Three mill notes payable	145,000		145,000	0	
D. Compensated absences payable	61,795	11,899		73,694	
Total	\$ 1,731,795	11,899	1,125,000	618,694	295,000

A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation refunding bonds, Series 2009	3.8%	09-14-09	09-15-19	\$ 2,490,000	545,000

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

Year Ending June 30	Principal	Interest	Total
2019	\$ 295,000	15,105	310,105
2020	250,000	4,750	254,750
Total	\$ 545,000	19,855	564,855

Noxubee County School District

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

This debt will be retired from the Noxubee County School District's Debt Service Fund.

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

B. Limited obligation bonds payable

This debt was paid off and retired from the Noxubee County School District's Debt Service Fund.

C. Three mill notes payable

This debt was paid off and retired from the Noxubee County School District's Debt Service Fund.

D. Compensated absences payable

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

Note 7 - Defined Benefit Pension Plan

General Information about the Pension Plan

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

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons

Noxubee County School District

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

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. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2018 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2018, 2017 and 2016 were \$1,417,119, \$1,290,087, and \$1,437,331, and 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 \$21,225,415 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 0.127684 percent, which was based on a measurement date of June 30, 2017. This was a decrease of 0.014970 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.

Noxubee County School District

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

For the year ended June 30, 2018, the District recognized pension expense of \$1,386,395. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,056,496	\$ 154,876
Net difference between projected and actual earnings on pension plan investments		1,639,991
Changes of assumptions	21,678	
Changes in proportion and differences between District contributions and proportionate share of contributions	(201,432)	812,844
District contributions subsequent to the measurement date	1,417,119	
Total	\$ 2,293,861	\$ 2,607,711

\$1,417,119 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:		
2019	\$	(674,451)
2020		(424,314)
2021		(222,205)
2022		(409,999)
Total	\$	(1,730,969)

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:

Noxubee County School District

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

Inflation	3.00 percent
Salary increases	3.25 - 18.50 percent, including 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:

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

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

Noxubee County School District

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

be made at the current employer contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 27,838,548	\$ 21,225,415	\$ 15,735,076

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.

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

Noxubee County School District

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

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 \$73,682 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 \$1,728,357 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2017, the District's proportion was 0.22028264 percent. This was a decrease of 0.00709064 percent from the proportionate share as of the measurement date of June 30, 2016.

Noxubee County School District

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$77,145. 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	\$	\$ 88,007
Changes in proportion and differences between District contributions and proportionate share of contributions		49,253
District contributions subsequent to the measurement date	73,682	
Total	\$ 73,682	\$ 137,260

\$73,682 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	\$ (24,081)
2020	(24,081)
2021	(24,081)
2022	(24,081)
2023	(24,081)
Thereafter	(16,855)
Total	\$ (137,260)

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:

Noxubee County School District

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

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

Noxubee County School District

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

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

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

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

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

		1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Net OPEB liability	\$	1,774,002	\$ 1,728,357	\$ 1,694,366

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	\$	1,596,254	\$ 1,728,357	\$ 1,879,167

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.

Noxubee County School District

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

Note 9 - Sixteenth Section Lands

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

Year Ending June 30		Amount
2019	\$	362,011
2020		351,923
2021		282,931
2022		261,266
2023		247,502
2024 - 2028		1,044,909
2029 - 2033		951,153
2034 - 2038		780,418
2039 - 2043		445,828
2044 - 2048		351,135
2049 - 2053		313,769
Thereafter		137,039
Total	\$	<u><u>5,529,884</u></u>

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 disallowance 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 of some of these cases, however there is one identified in the subsequent paragraph which the school district's legal counsel believes will not have a material adverse effect on the financial condition of the school district and is reported as accounts payable on the financial statements.

Noxubee County School District

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

It is our opinion that the possible liability to Noxubee County School District be nominal and therefore not material.

Note 11 - Risk Management

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

Note 12 - Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$24,074,421) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$1,417,119 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 \$876,742 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 (\$24,074,421) includes the effect of deferring the recognition of revenues resulting from a deferred inflow from pensions. The \$2,607,711 balance of deferred inflow of resources at June 30, 2018 will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$24,074,421) 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 \$73,682 resulting from the amount paid by the school district as benefits come due subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019.

The unrestricted net position amount of (\$24,074,421) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$137,260 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.

Noxubee County School District

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

Note 13 - Prior Period Adjustment

A summary of significant Net Position adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
1. Implementation of GASB 75:	\$
Net OPEB liability (06-30-17)	(1,856,478)
Deferred outflows - contributions made during fiscal year 2017	68,006
Total prior period adjustment related to GASB 75	(1,788,472)
2. Adjustments were made to properly present accumulated depreciation at year end.	15,882
Total	\$ (1,772,590)

Note 14 - Deficit Fund Balance of Individual Funds

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

<u>Fund</u>	<u>Fund Balance</u>
District Maintenance Fund	\$665,545
Sixteenth Section Interest Fund	\$8,691

The deficit fund balances, as listed above, are in violation of Section 37-61-19, Miss. Code Ann. (1972), which imposes personal liability on any school official who knowingly enters into any contract, incurs any liability, or makes any expenditure, in excess of the resources available for the fiscal year under certain circumstances.

Note 15 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Noxubee County School District evaluated the activity of the district through the date the financial statements were available to be issued, and determined the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

Noxubee County School District

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

On August 1, 2018, the Noxubee County School District and Mississippi Board of Education entered into an agreement to loan Noxubee County School District up to \$2,500,000. This loan has been made by the Mississippi Board of Education because of the necessity to correct the Noxubee County School District's impairments related to a lack of financial resources and is issued under authority of Mississippi Code Annotated 37-17-6(15). State law only provides access to these funds for districts under state control. The State took over the district after concerns of their finances and findings of an investigative audit that cited them for violating more than 80 percent of the State's accreditation standards. The district will remain under state control for a minimum of five years under a state law requiring all districts to maintain an accountability rating of C or higher for five consecutive years. A total of \$1,250,000 has been received by the district as of this report date. The loan is interest free for 5 years.

REQUIRED SUPPLEMENTARY INFORMATION

NOXUBEE COUNTY SCHOOL DISTRICT

Exhibit 1

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 3,603,484	3,482,528	3,482,436	(120,956)	(92)
State sources	8,116,269	7,687,494	7,675,299	(428,775)	(12,195)
Federal sources	154,200	142,052	154,248	(12,148)	12,196
Sixteenth section sources	411,500	353,669	353,670	(57,831)	1
Total Revenues	<u>12,285,453</u>	<u>11,665,743</u>	<u>11,665,653</u>	<u>(619,710)</u>	<u>(90)</u>
Expenditures:					
Instruction	6,982,175	6,637,931	6,585,081	344,244	52,850
Support services	5,606,778	5,900,974	5,900,974	(294,196)	-
Noninstructional services	-	2,209	3,530	(2,209)	(1,321)
Sixteenth section	50,300	57,372	57,430	(7,072)	(58)
Total Expenditures	<u>12,639,253</u>	<u>12,598,486</u>	<u>12,547,015</u>	<u>40,767</u>	<u>51,471</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(353,800)</u>	<u>(932,743)</u>	<u>(881,362)</u>	<u>(578,943)</u>	<u>51,381</u>
Other Financing Sources (Uses):					
Operating transfers in	1,634,099	593,404	233,126	(1,040,695)	(360,278)
Operating transfers out	(1,905,004)	(1,325,135)	(412,927)	579,869	912,208
Other financing uses		(60)	-	(60)	60
Total Other Financing Sources (Uses)	<u>(270,905)</u>	<u>(731,791)</u>	<u>(179,801)</u>	<u>(460,886)</u>	<u>551,990</u>
Net Change in Fund Balances	<u>(624,705)</u>	<u>(1,664,534)</u>	<u>(1,061,163)</u>	<u>(1,039,829)</u>	<u>603,371</u>
Fund Balances:					
July 1, 2017	2,341,302	445,008	391,636	(1,896,294)	(53,372)
June 30, 2018	<u>\$ 1,716,597</u>	<u>(1,219,526)</u>	<u>(669,527)</u>	<u>(2,936,123)</u>	<u>549,999</u>

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

NOXUBEE COUNTY SCHOOL DISTRICT

Exhibit 2

Budgetary Comparison Schedule

School Lunch Fund

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 53,500	57,171	57,171	3,671	-
State sources	20,500	17,108	17,109	(3,392)	1
Federal sources	1,306,000	1,144,821	1,225,700	(161,179)	80,879
Total Revenues	<u>1,380,000</u>	<u>1,219,100</u>	<u>1,299,980</u>	<u>(160,900)</u>	<u>80,880</u>
Expenditures:					
Support services	119,982	135,614	135,615	(15,632)	(1)
Noninstructional services	1,121,528	962,810	1,043,689	158,718	(80,879)
Total Expenditures	<u>1,241,510</u>	<u>1,098,424</u>	<u>1,179,304</u>	<u>143,086</u>	<u>(80,880)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>138,490</u>	<u>120,676</u>	<u>120,676</u>	<u>(17,814)</u>	<u>-</u>
Other Financing Sources (Uses):					
Operating transfers in	-	9,688	9,688	9,688	-
Operating transfers out	(142,800)	(101,310)	(101,310)	41,490	-
Total Other Financing Sources (Uses)	<u>(142,800)</u>	<u>(91,622)</u>	<u>(91,622)</u>	<u>51,178</u>	<u>-</u>
Net Change in Fund Balances	<u>(4,310)</u>	<u>29,054</u>	<u>29,054</u>	<u>33,364</u>	<u>-</u>
Fund Balances:					
July 1, 2017	846,438	760,134	760,134	(86,304)	-
Increase (decrease) in inventory	-	6,365	6,365	6,365	-
June 30, 2018	<u>\$ 842,128</u>	<u>795,553</u>	<u>795,553</u>	<u>(46,575)</u>	<u>-</u>

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

NOXUBEE COUNTY SCHOOL DISTRICT

Exhibit 3

Budgetary Comparison Schedule

Title I A Basic Fund

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 991,946	-	1,153,649	(991,946)	1,153,649
Total Revenues	<u>991,946</u>	<u>-</u>	<u>1,153,649</u>	<u>(991,946)</u>	<u>1,153,649</u>
Expenditures:					
Instruction	280,918	574,600	512,484	(293,682)	62,116
Support services	582,467	542,413	516,627	40,054	25,786
Noninstructional services	<u>118,642</u>	<u>127,605</u>	<u>121,209</u>	<u>(8,963)</u>	<u>6,396</u>
Total Expenditures	<u>982,027</u>	<u>1,244,618</u>	<u>1,150,320</u>	<u>(262,591)</u>	<u>94,298</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>9,919</u>	<u>(1,244,618)</u>	<u>3,329</u>	<u>(1,254,537)</u>	<u>1,247,947</u>
Other Financing Sources (Uses):					
Operating transfers out	<u>(9,919)</u>	<u>(4,356)</u>	<u>(4,476)</u>	<u>5,563</u>	<u>(120)</u>
Total Other Financing Sources (Uses)	<u>(9,919)</u>	<u>(4,356)</u>	<u>(4,476)</u>	<u>5,563</u>	<u>(120)</u>
Net Change in Fund Balances	<u>-</u>	<u>(1,248,974)</u>	<u>(1,147)</u>	<u>(1,248,974)</u>	<u>1,247,827</u>
Fund Balances:					
July 1, 2017	-	1,147	18,939	1,147	17,792
June 30, 2018	<u>\$ -</u>	<u>(1,247,827)</u>	<u>17,792</u>	<u>(1,247,827)</u>	<u>1,265,619</u>

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

Noxubee County School District

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

PERS

Last 10 Fiscal Years*

	2018	2017	2016	2015
District's proportionate share of the net pension liability	\$ 21,225,415	25,481,567	22,480,147	18,601,258
District's proportion of the net pension liability	0.127684%	0.142654%	0.145427%	0.153246%
District's covered payroll	8,191,029	9,125,911	9,085,429	9,364,152
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.

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

	2018	2017	2016	2015
Contractually required contribution	\$ 1,417,119	1,290,087	1,437,331	1,430,955
Contributions in relation to the contractually required contribution	1,417,119	1,290,087	1,437,331	1,430,955
Contribution deficiency (excess)	\$ -	-	-	-
District's covered payroll	8,997,581	8,191,029	9,125,911	9,085,429
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.

Noxubee County 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> 1,728,357
District's proportion of the net OPEB liability		0.22028264%
District's covered-employee payroll		9,896,693 **
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.

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

Contractually required contribution	\$	<u>2018</u> 73,682	**
Contributions in relation to the contractually required contribution		73,682	**
Contribution deficiency (excess)	\$	<u>-</u>	
District's covered-employee payroll		9,242,419	
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.

Noxubee County School District

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

Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *Changes of assumptions*

2015:

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

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

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

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

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

2016:

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

2017:

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

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

Noxubee County School District

Notes to the Required Supplementary Information 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.

Noxubee County School District

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

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

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

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

SUPPLEMENTARY INFORMATION

Noxubee County School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Schedule 1

Federal Grantor/ Pass-through Grantor/ Program Title	Pass-through Entity Identifying Number	Catalog of Federal Domestic Assistance Number	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	\$ 363,710
National School Lunch Program	185MS326N1099	10.555	861,990
Summer Food Service Program for Children	185MS326N1099	10.559	12,868
Total Child Nutrition Cluster			1,238,568
Total passed-through Mississippi Department of Education			1,238,568
Passed-through Noxubee County, Mississippi			
Schools and Roads - Grants to States	18DG11083128001	10.665	32,196
Total passed-through Noxubee County, Mississippi			1,270,764
Total U. S. Department of Agriculture			1,270,764
<u>U.S. Department of Defense</u>			
Direct Program:			
Reserve Officers' Training Corps		12.xxx	21,782
Total U. S. Department of Defense			21,782
<u>U.S. Department of Education</u>			
Passed-through the Mississippi Department of Education:			
Title I Grants to Local Educational Agencies	ES010A170024	84.010	1,309,320
Career and Technical Education - Basic Grant to States	V048A170024	84.048	24,873
Education for Homeless Children and Youth	ES196A170025	84.196	7,191
Rural Education	ES358B170024	84.358	29,122
Supporting Effective Instruction State Grants	ES367A170023	84.367	176,419
School Improvement Grant		84.377	19,331
Subtotal			1,566,256
Special Education Cluster:			
Special Education - Grants to States	H027A170108	84.027	381,482
Positive Behavior Specialists	H027A170108	84.027A	3,358
Special Education - Preschool Grants	H173A170113	84.173	1,841
Total Special Education Cluster			386,681
Total passed-through the Mississippi Department of Education			1,952,937
Total U. S. Department of Education			1,952,937
<u>U. S. Department of Health and Human Services</u>			
Passed-through the Mississippi Department of Education:			
Medical Assistance Program	1805MS5ADM	93.778	12,196
Total passed-through the Mississippi Department of Education			12,196
Total U.S. Department of Health and Human Services			12,196
TOTAL FOR ALL FEDERAL AWARDS			\$ 3,257,679

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

Noxubee County School District

Notes to the Supplementary Information 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 \$80,879 are included in the National School Lunch Program.

Schedule 2

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

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 12,899,996	8,968,153	838,756	810,633	2,282,454
Other	5,188,891	1,136,748	294,593	73,504	3,684,046
Total	<u>\$ 18,088,887</u>	<u>10,104,901</u>	<u>1,133,349</u>	<u>884,137</u>	<u>5,966,500</u>
Total number of students *	<u>1,550</u>				
Cost per student	<u>\$ 11,670</u>	<u>6,519</u>	<u>731</u>	<u>571</u>	<u>3,849</u>

For purpose 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, teacher's aides or classroom assistants of any type.

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

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

Other - includes all expenditures 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

NOXUBEE COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

"UNAUDITED"

	2018	2017*	2016*	2015*
Revenues:				
Local sources	\$ 3,482,436	3,421,237	3,607,332	3,457,172
State sources	7,675,299	8,152,582	8,436,808	8,385,026
Federal sources	154,248	137,012	73,474	176,682
Sixteenth section sources	353,670	724,433	524,103	1,124,199
Total Revenues	<u>11,665,653</u>	<u>12,435,264</u>	<u>12,641,717</u>	<u>13,143,079</u>
Expenditures:				
Instruction	6,585,081	6,603,804	6,833,858	6,678,010
Support services	5,900,974	6,089,999	5,868,968	5,248,318
Noninstructional services	3,530	1,280	-	763
Sixteenth section	57,430	49,998	58,505	34,934
Facilities acquisition and construction	-	235,000	-	-
Debt service:				
Interest	-	-	10,350	31,694
Total Expenditures	<u>12,547,015</u>	<u>12,980,081</u>	<u>12,771,681</u>	<u>11,993,719</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(881,362)</u>	<u>(544,817)</u>	<u>(129,964)</u>	<u>1,149,360</u>
Other Financing Sources (Uses):				
Insurance recovery	-	34,242	755,425	-
Operating transfers in	233,126	182,342	255,038	385,693
Operating transfers out	(412,927)	(362,078)	-	(634,766)
Other financing uses	-	-	(589,468)	(310,000)
Total Other Financing Sources (Uses)	<u>(179,801)</u>	<u>(145,494)</u>	<u>420,995</u>	<u>(559,073)</u>
Net Change in Fund Balances	<u>(1,061,163)</u>	<u>(690,311)</u>	<u>291,031</u>	<u>590,287</u>
Fund Balances:				
July 1, as previously reported	391,636	926,644	534,626	(137,265)
Prior period adjustment	-	155,303	100,987	66,965
Fund reclassification	-	-	-	14,639
July 1, as restated	<u>391,636</u>	<u>1,081,947</u>	<u>635,613</u>	<u>(55,661)</u>
June 30,	<u>\$ (669,527)</u>	<u>391,636</u>	<u>926,644</u>	<u>534,626</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

NOXUBEE COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

"UNAUDITED"

	2018	2017*	2016*	2015*
Revenues:				
Local sources	\$ 4,054,465	3,924,703	4,183,276	4,021,460
State sources	8,894,217	9,343,192	9,699,507	9,455,710
Federal sources	3,363,839	3,421,147	3,475,634	3,792,642
Sixteenth section sources	355,622	801,223	621,993	1,287,667
Total Revenues	<u>16,668,143</u>	<u>17,490,265</u>	<u>17,980,410</u>	<u>18,557,479</u>
Expenditures:				
Instruction	8,105,680	8,090,603	8,584,700	8,194,126
Support services	7,527,691	7,821,900	7,381,608	7,315,282
Noninstructional services	1,182,421	1,168,459	1,136,628	1,096,915
Sixteenth section	69,492	90,429	90,500	71,036
Facilities acquisition and construction	-	235,000	-	-
Debt service:				
Principal	1,125,000	742,000	720,000	692,000
Interest	77,365	86,221	124,656	149,444
Other	1,238	1,350	-	1,250
Total Expenditures	<u>18,088,887</u>	<u>18,235,962</u>	<u>18,038,092</u>	<u>17,520,053</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(1,420,744)</u>	<u>(745,697)</u>	<u>(57,682)</u>	<u>1,037,426</u>
Other Financing Sources (Uses):				
Insurance recovery	-	34,242	755,425	-
Operating transfers in	653,208	602,085	1,143,230	1,020,459
Operating transfers out	(653,208)	(602,085)	(1,143,230)	(1,020,459)
Other financing uses	-	-	-	(310,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>34,242</u>	<u>755,425</u>	<u>(310,000)</u>
Net Change in Fund Balances	<u>(1,420,744)</u>	<u>(711,455)</u>	<u>697,743</u>	<u>727,426</u>
Fund Balances:				
July 1, as previously reported	3,055,620	3,601,175	2,799,882	1,992,838
Prior period adjustments	-	155,303	101,644	73,652
July 1, as restated	<u>3,055,620</u>	<u>3,756,478</u>	<u>2,901,526</u>	<u>2,066,490</u>
Increase (Decrease) in inventory	6,365	10,597	1,906	5,966
June 30,	<u>\$ 1,641,241</u>	<u>3,055,620</u>	<u>3,601,175</u>	<u>2,799,882</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROLS 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
Noxubee County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Noxubee County School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Noxubee County School District's basic financial statements, and have issued our report thereon dated August 21, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency as Finding 2018-001.

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

Compliance and Other Matters

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

Noxubee County School District's Response to Findings

Noxubee County School District's response to the finding identified in our audit is described in the accompanying auditee's corrective action plan. The Noxubee County School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 21, 2019

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Noxubee County School District

Report on Compliance for Each Major Federal Program

We have audited Noxubee County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Noxubee County School District's major federal programs for the year ended June 30, 2018. The Noxubee County 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 Noxubee County 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.

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

As described in the accompanying schedule of findings and questioned costs, the Noxubee County School District did not comply with requirements regarding Title I Grants to Local Educational Agencies CFDA# 84.010 as described in finding number 2018-002 for noncompliance with Cash Management and Allowable Costs/Cost Principles compliance requirements. Compliance with such requirements is necessary, in our opinion, for the Noxubee County 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 Noxubee County 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 Noxubee County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other 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 other 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 findings 2018-002, 2018-003 and 2018-004. Our opinion on each major federal program is not modified with respect to these matters.

The Noxubee County School District's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Noxubee County School District responses were not subjected to the auditing procedures applied in the audit of noncompliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

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

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.

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 finding 2018-002, 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.

Noxubee County 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. Noxubee County 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 response.

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 21, 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
Noxubee County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Noxubee County School District as of and for the year ended June 30, 2018, which collectively comprise the Noxubee County School District's basic financial statements and have issued our report thereon dated August 21, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following instances of noncompliance with other state laws and regulations.

Finding 1:

Criteria:

Section 37-61-19, Miss. Code Ann. (1972), states that it shall be the duty of the Superintendent and school board members to limit the expenditure of school funds during the fiscal year to the resources available.

Condition:

We noted two funds with deficit fund balances. The District Maintenance Fund has a deficit ending fund balance totaling \$665,545 and the Sixteenth Section Interest Fund totaling \$8,691.

Cause:

Noncompliance occurred with the District not properly reconciling expenditures with available resources.

Effect:

Noncompliance with Section 37-61-19, Miss. Code Ann. (1972), resulted in the District violating state laws regarding limiting expenditures to resources available for each fiscal year.

Recommendation:

We recommend the District implement policies and procedures to ensure compliance with Section 37-61-19, Miss. Code Ann. (1972).

Response:

The Noxubee County School District has implemented policies and procedures to ensure compliance with Section 37-61-19 of the Miss. Code Ann. (1972).

Finding 2:

Criteria:

Section 37-7-333, Miss. Code Ann. (1972), also requires the bids of the financial institutions keeping school funds be effective on July 1 of each year. School boards are allowed to advertise and accept bids for depositories, not less than once every three years, when the school board determines that it can obtain a more favorable rate of interest and less administrative processing.

Condition:

The school failed to advertise for depository bids or submission of bids with the acceptance of the most favorable bid for the school depositories within the current fiscal year.

Cause:

A system was not in place to ensure proper documentation was maintained as evidence to show depository bids were advertised and submission of bids with the acceptance of the most favorable bid.

Effect:

The district was not in compliance with the Section 37-7-333, Miss. Code Ann. (1972).

Recommendation:

The District should comply with Section 37-7-333, Miss. Code Ann. (1972) and maintain an accurate record and supporting documentation for bank depository bids with the information reflected in the board minutes.

Response:

The Noxubee County School District will advertise for depository bids and comply with Section 37-7-333, Miss. Code Ann. (1972).

Finding 3:

Criteria:

Section 25-11-127, Miss. Code of 1972, as amended, requires that the school district files the PERS Form 4B (Re-employment of PERS Service Retiree Certification/Acknowledgement) within 5 days of employment if the prospective employee is a PERS retiree.

Condition:

During the testing of retired personnel, we noted 3 out of 4 instances in which re-hired employees' forms were not filed timely.

Cause:

A system was not in place to ensure the forms were submitted timely.

Effect:

Untimely filing of forms could result in employees being paid in excess of the amount allowed.

Recommendation:

PERS Form 4B must be properly completed by the PERS service retiree and the appointing authority of the PERS covered agency employing such service retiree with the PERS office within five (5) days from the date of re-employment and within (5) days from the termination of such re-employment and employees must not be paid in excess of the maximum amount allowed.

Response:

All rehired retirees will fill out the proper and necessary paperwork including form 4B.

Finding 4:

Criteria:

Section 29-3-57, Miss. Code Ann. (1972) states, “It is the duty of the Superintendent of Education to collect promptly all rentals due. Upon a sixty (60) day default in payment of any rental accounting to the terms of such lease, the lease shall be declared terminated unless the Board of Education finds extenuating circumstances were present”.

Condition:

During our test of sixteenth section leases, we identified leases in which rental payments tested were more than 60 days past due with no documentation that board action was taken as required by Section 29-3-57, Miss. Code Ann. (1972).

Cause:

The cause of the above condition is primarily due to lack of controls in place to ensure compliance with state requirements.

Effect:

District’s resources of sixteenth section lease payments were not available for operations.

Recommendation:

We recommend that the District comply with Section 29-3-57, Miss. Code Ann.(1972), that states when leases are in default for more than 60 days from the due date, the lease shall be declared terminated unless the Board of Education finds extenuating circumstances are present.

Response:

The Noxubee County School District will comply with Section 29-3-57, Miss. Code Ann. (1972) and shall terminate any leases that are over 60 days past due.

Finding 5:

Criteria:

Section 31-7-13(b), Miss. Code Ann. (1972) states, “Purchases which involve an expenditure of more than five thousand dollars (\$5,000) but not more than fifty thousand dollars (\$50,000), exclusive of freight and shipping charges may be obtained from the lowest and best bidder without publishing or posting advertisement for bids, provided at least two (2) competitive written bids have been obtained.”

In addition, Section 31-7-13(c), Miss. Code Ann. (1972) states, “Purchases which involve an expenditure of more than fifty thousand dollars (\$50,000), exclusive of freight and shipping charges, may be obtained from the lowest and best bidder after advertising for competitive sealed bids once each week for two (2) consecutive weeks in a regular newspaper published in the county or municipality in which such agency or governing authority is located. The date as published for the bid opening shall not be less than seven (7) working days after the last published

notice”. However, if the purchase involves a construction project in which the estimated cost is in excess of Fifty Thousand Dollars (\$ 50,000.00), such bids shall not be opened in less than fifteen (15) working days after the last notice is published and the notice for the purchase of such construction shall be published once each week for two (2) consecutive weeks.

Condition:

During the course of our audit, we noted 6 of 65 purchases ranging between \$5,000 and \$44,000 tested, for which the school district could not provide documentation of bids received.

Cause:

Lack of internal controls and oversight over purchasing procedures.

Effect:

The district failed to comply with state purchasing laws.

Recommendation:

The district should ensure that all purchases follow state purchasing laws by requiring and maintaining proper support of quotes, bids, or other documentation used to determine the purchase is made within the state purchasing guidelines.

Response:

The Noxubee County School District will follow state purchasing laws and make purchases under state guidelines.

Finding 6:

Criteria:

Section 31-7-305, Miss. Code Ann. (1972), states: “payments should be delivered to the vendor no later than 45 days of receipt of an undisputed invoice and receipt, inspection and approval of the goods and services.”

Condition:

One of sixty-five invoices examined was paid over 45 days after receipt.

Cause:

Procedures need to be implemented and followed to ensure compliance with State laws.

Effect:

The district was not in compliance with the Section 31-7-305, Miss. Code Ann. (1972).

Recommendation:

We recommend that the school district comply with Section 31-7-305, Miss. Code Ann. (1972), and ensure that payments are made timely.

Response:

The Noxubee County School District will comply with Section 31-7-305, Miss. Code Ann. (1972) and ensure that payments are made timely.

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 Noxubee County 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 21, 2019

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Noxubee County School District

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

Section I: Summary of Auditor's Results

Financial Statements:

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

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

Significant Deficiency

Finding 2018-001

Criteria:

An effective system of internal control is the responsibility of management. Management should establish an internal control system that ensures strong financial accountability and safeguarding of assets.

Condition:

The controls surrounding the cycle of non-payroll expenditures and related liabilities is not working effectively to reduce the risk of financial statement misstatement.

We performed detailed testing on sixty-five (65) non-payroll expenditure transactions. Our testing showed one (1) instance where the invoice was dated before the purchase order, revealing purchases were made without appropriate authorization. We noted six (6) instances where purchases were made without the required bid and quote. We noted one (1) instance where the invoice was not paid within the 45 day time period. Finally, we noted six (6) instances were not in compliance with Mississippi Code.

Cause:

The district failed to design and implement a sound system of internal controls surrounding non-payroll expenditures and related payables.

Effect:

There is an increased risk that misstatements in the area of non-payroll expenditures will exist that will not be corrected in a timely manner by district personnel. This risk means that transactions may not be properly authorized and accurately classified and recorded.

Recommendation:

We recommend the district develop a system of sound internal controls surrounding the cycle of non-payroll expenditures and related liabilities and begin steps to implement the system of controls.

View of Responsible Officials:

The district will implement a sound system of internal controls.

Section III: Federal Award 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 2018-002

U.S. Department of Education

Passed-through the Mississippi Department of Education

Program Name: Title I Grants to Local Educational Agencies

CFDA# 84.010

Compliance: Cash Management

Criteria:

Management is responsible for compliance with the cash management requirements of the Uniform Guidance. The requirements state that “When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government.”

Condition:

The auditor noted excess funds were requested and received but have not been spent.

Context:

During our testing of cash management over the Title I program, we noted the District has \$451,925 of unearned Title I funds recorded as a liability as of the end of the fiscal year. These are funds the district has requested and received but has not spent.

Questioned Costs:

None.

Cause:

Lack of controls surrounding this control cycle and the failure of the district to monitor the effectiveness of the controls.

Effect:

Inadequate internal controls over requesting federal funds and failing to provide accurate documentation could result in the district requesting federal funds before actual program expenditures are incurred. This deficiency resulted in an adverse opinion on compliance with the cash management requirement of the Title I federal program.

Identification of a repeat finding:

This is a repeat finding from the immediate previous audit, 2017-003.

Whether sampling was statically valid:

No.

Recommendation:

We recommend the district only request federal funds after the applicable program costs have been paid for the district and maintain accurate documentation.

View of Responsible Officials:

These funds were not requested during the FY18 year. These funds come from prior years deferred revenue. However, the District has changed its “request for funds” process. Only funds that are spent can be drawn down for reimbursement.

Finding 2018-003

U.S. Department of Education

Passed-through the Mississippi Department of Education

Program Name: Title I Grants to Local Educational Agencies

CFDA# 84.010

Compliance: Allowable Costs/Cost Principles

Criteria:

(Pre-Uniform Guidance Regulations are applicable as noted below)

Office of Management and Budget (OMB) Circular A-87 Attachment A (C) (1) states, “*Basic Guidelines*”. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- b. Be allocable to Federal awards under the provisions of the Circular.
- c. Be authorized or not prohibited under State or local laws or regulations.
- d. Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
- e. Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- f. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- g. Except as otherwise provided for in this Circular, be determined in accordance with generally accepted accounting principles.
- h. Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation.
- i. Be the net of all applicable credits.
- j. Be adequately documented.

Office of Management and Budget (OMB) Circular A-87 Attachment B (1) (F) (3) states, “Advertising and public relations costs. Unallowable advertising and public relations costs include....costs of promotional items and memorabilia, including models, gifts, and souvenirs.” Office of Management and Budget (OMB) Circular A-87 Attachment A (D) (1) states in part, “The total cost of Federal awards is comprised of the allowable direct cost of the program, plus its allocable portion of allowable indirect costs, less applicable credits.”

Code of Federal Regulations, Title 34 80.20 (b) (6) states, “*Source Documentation*. Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc.”

Code of Federal Regulations, Title 34 80.22 (b) states, “For each kind of organization, there is a set of Federal principles for determining allowable costs. For the costs of a state, local, or Indian tribal government, the Secretary applies the cost principles in OMB Circular A-87, as amended on June 9, 1987.”

Condition:

During the course of the audit, Mississippi Department of Education release the results of monitoring visit for FY17 grant program.

Context:

The district overspent budget line items in the amount \$29,619. The district failed to provide documentation for quotes for vendors of services in the amount of \$36,129. No formal bids were obtained for the vendor in the amount of \$53,085, and procurement completeness procedures in the amount of \$3,292. The district also calculated indirect cost in the amount of \$1,103 in excess.

Questioned Costs:

\$123,228.

Cause:

Lack of controls surrounding this control cycle to monitor the effectiveness of the controls.

Effect:

Inadequate internal controls over federal funds and failing to provide accurate documentation could result in the district spending federal funds that are not an allowable costs.

Identification of a Repeat Finding:

This is a repeat finding from the immediate previous audit, 2017-004.

Whether Sampling was Statistically Valid:

No.

Recommendation:

We recommend the district follow federal guidelines in the Uniform Guidance for federal purchases and maintain adequate documentation.

Views of Responsible Officials:

The District will follow federal guidelines in the Uniform Guidance for federal purchases and maintain adequate documentation.

Finding 2018-004

U.S. Department of Education
Passed-through the Mississippi Department of Education
Program Name: Child Nutrition Cluster
CFDA# 10.553, 10.555 & 10.559
Compliance: Program Income

Criteria:

Management is responsible for ensuring that program income is used in consistency with federal guidelines.

Condition:

During the course of the audit, we noted that the school district had loaned money from Child Nutrition Fund to other funds within the school district.

Context:

The district had loaned \$128,820 at June 30, 2018 from Child Nutrition to other funds within the school district.

Questioned Costs:

\$128,820.

Cause:

School district officials was unaware of this federal requirement.

Effect:

Inadequate internal controls resulted in income in Child Nutrition Fund being used in a manner inconsistent with federal requirements.

Identification of a repeat finding:

No.

Whether sampling was statically valid:

No.

Recommendation:

We recommend the district follow federal guidelines in the Uniform Guidance for federal purchases and maintain adequate documentation.

Views of Responsible Officials:

The District will follow federal guidelines in the Uniform Guidance for federal purchases and maintain adequate documentation.

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

Pam Norris
Chief Financial Officer

Reberta Duck
Accounts Receivable Clerk

Cassie Gordon
Payroll Clerk

Denise Robinson
Accounts Payable Clerk

Sonjh Rucker
16th Section Clerk



**NOXUBEE COUNTY
SCHOOL DISTRICT**

Rodriguez F. Broadnax Ed.S.
Superintendent of Education

**Noxubee County School District
Business Office**

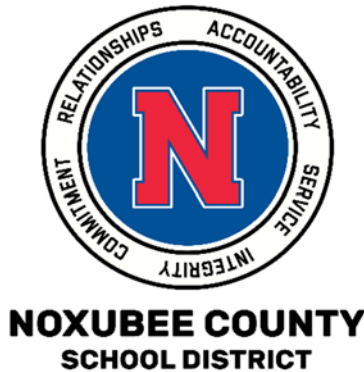
P.O. Box 540 Macon, Mississippi 39341
Phone: (662) 726-4527 or 726-4583
Fax: (662) 726-2809
www.ournccsd.org

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 Requirements for Federal Awards (UG), the Noxubee County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Cost for 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: Pam Norris Phone Number: (662) 726-4527</p> <p>b. Corrective Action Planned: The district will implement a sound system of internal controls.</p> <p>c. Anticipated Completion Date: 06/30/19</p>
2018-002	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Pam Norris Phone Number: (662) 726-4527</p> <p>b. Corrective Action Planned These funds were not requested during the FY18 year. These funds come from prior years deferred revenue. However, the District has changed its "request for funds" process. Only funds that are spent can be drawn down for reimbursement.</p> <p>c. Anticipated Completion Date: 06/30/18</p>

Pam Norris
Chief Financial Officer
Reberta Duck
Accounts Receivable Clerk
Cassie Gordon
Payroll Clerk
Denise Robinson
Accounts Payable Clerk
Sonjh Rucker
16th Section Clerk



Rodriguez F. Broadnax Ed.S.
Superintendent of Education

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AUDITEE'S CORRECTIVE ACTION PLAN (CONTINUE)

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

- | | |
|----------|---|
| 2018-003 | <p>a. Name of Contact Person Responsible for Corrective Action</p> <p style="margin-left: 40px;">Name: Pam Norris
Phone Number: (662) 726-4527</p> <p>b. Corrective Action Planned: The District will follow federal guidelines in the Uniform Guidance for federal purchases and maintain adequate</p> <p>c. Anticipated Completion Date: 06/30/19</p> |
| 2018-004 | <p>a. Name of Contact Person Responsible for Corrective Action</p> <p style="margin-left: 40px;">Name: Pam Norris
Phone Number: (662) 726-4527</p> <p>b. Corrective Action Planned: The District will follow federal guidelines in the Uniform Guidance for federal purchases and maintain adequate</p> <p>c. Anticipated Completion Date: 06/30/19</p> |

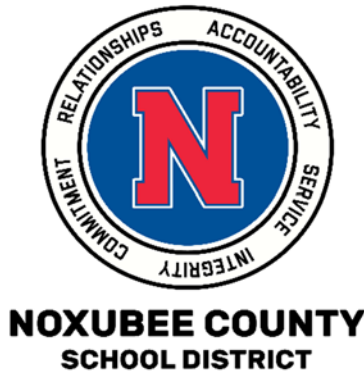
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Rodriguez F. Broadnax Ed.S.
Superintendent of Education

SUMMARY OF PRIOR AUDIT FINDINGS

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), the Noxubee County School District has prepared and hereby submits the following summary of prior year audit findings follow up as of June 30, 2018:

<u>Finding</u>	<u>Status</u>
2017-001	Not Corrected (See Finding 2018-001)
2017-002	Corrected
2017-003	Not Corrected (See Finding 2018-002)
2017-004	Not Corrected (See Finding 2018-003)