



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

PRENTISS COUNTY SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2018

PRENTISS COUNTY SCHOOL DISTRICT
TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	7
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Exhibit A - Statement of Net Position	17
Exhibit B - Statement of Activities	19
Governmental Funds Financial Statements	
Exhibit C - Balance Sheet	21
Exhibit C-1 - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	23
Exhibit D - Statement of Revenues, Expenditures, and Changes in Fund Balances	25
Exhibit D-1 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	27
Fiduciary Funds Financial Statements	
Exhibit E - Statement of Fiduciary Assets and Liabilities	29
Notes to the Financial Statements	31
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	53
Budgetary Comparison Schedule - Child Nutrition Fund	55
Budgetary Comparison Schedule - Title I Fund	57
Budgetary Comparison Schedule - EHA Part B Fund	59
Budgetary Comparison Schedule - 21st Century Grant	61
Schedule of the District's Proportionate Share of the Net Pension Liability	63
Schedule of District Contributions (PERS)	65
Schedule of the District's Proportionate Share of the Net OPEB Liability	67
Schedule of District Contributions (OPEB)	69
Notes to the Required Supplementary Information	71
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	77
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	79
Notes to the Supplementary Information	80
OTHER INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years	85
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years	87
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	91
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	93
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	97
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	101
AUDITEE'S CORRECTIVE ACTION PLAN	103
FOLLOW UP ON PRIOR YEAR AUDIT FINDINGS	105

INDEPENDENT AUDITOR'S REPORT

(This page left blank intentionally)

SUZANNE E. SMITH, CPA, PLLC
AUDITING AND ACCOUNTING SERVICES
sesmithcpa@msn.com

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Prentiss 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 Prentiss 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 Prentiss 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.

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 Prentiss County School District, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and

POST OFFICE BOX 102
BRANDON, MISSISSIPPI 39043
PHONE: 601-938-5717

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 7-14, 53-61, 63-65, and 67-69, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

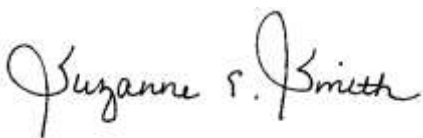
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Prentiss County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 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 February 8, 2019, on our consideration of the Prentiss 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 Prentiss 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 Prentiss County School District's internal control over financial reporting and compliance.



Suzanne E. Smith, CPA, PLLC
Brandon, Mississippi
February 8, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

(This page left blank intentionally)

PRENTISS COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis For the Year Ended June 30, 2018

The following discussion and analysis of Prentiss 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 \$4,510,943, including a prior period adjustment of (\$2,170,033), which represents a 32% decrease from fiscal year 2017. Total net position for 2017 decreased \$1,540,400, including a prior period adjustment of \$826,902, which represents a 12% decrease from fiscal year 2016.
- General revenues amounted to \$17,183,282 and \$17,028,926, or 77% 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 \$5,225,404, or 23% of total revenues for 2018, and \$5,137,655, or 23% of total revenues for 2017.
- The District had \$24,749,596 and \$24,533,883 in expenses for fiscal years 2018 and 2017; only \$5,225,404 for 2018 and \$5,137,655 for 2017 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$17,183,282 for 2018 and \$17,028,926 for 2017 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$17,550,785 in revenues and \$17,105,808 in expenditures for 2018, and \$17,230,068 in revenues and \$16,482,309 in expenditures in 2017. The General Fund's fund balance decreased by \$269,329, including a prior period adjustment of (\$35,182), from 2017 to 2018, and increased by \$12,432, from 2016 to 2017.
- Capital assets, net of accumulated depreciation, decreased by \$285,615 for 2018 and decreased by \$204,119 for 2017. The decrease for 2018 was due primarily to the increase in accumulated depreciation.
- Long-term debt, including compensated absences payable but excluding premiums, decreased by \$516,863 for 2018 and decreased by \$542,517 for 2017. This decrease for 2018 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$2,032 for 2018 and increased by \$2,314 for 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

PRENTISS COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis For the Year Ended June 30, 2018

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

Capital assets used in governmental activities are not reported on governmental funds financial statements. Capital outlay spending results in capital assets on government-wide financial

PRENTISS COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis For the Year Ended June 30, 2018

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 major special revenue fund as required by the Governmental Accounting Standards Board.

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$18,661,844 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.

PRENTISS COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis
For the Year Ended June 30, 2018

Table 1
Condensed Statement of Net Position

	June 30, 2018	June 30, 2017	Percentage Change
Current assets	\$ 5,714,122	\$ 5,883,587	-2.88 %
Restricted assets	-	134,854	-100.00 %
Capital assets, net	8,282,259	8,567,874	-3.33 %
Total assets	13,996,381	14,586,315	-4.04 %
Deferred outflows of resources	3,559,737	9,078,760	-60.79 %
Current liabilities	44,746	98,912	-54.76 %
Long-term debt outstanding	950,142	1,468,687	-35.31 %
Net pension liability	32,249,384	34,474,619	-6.45 %
Net OPEB liability	2,150,049	-	N/A
Total liabilities	35,394,321	36,042,218	-1.80 %
Deferred inflows of resources	823,641	1,773,758	-53.57 %
Net position:			
Net investment in capital assets	7,541,182	7,318,319	3.05 %
Restricted	1,038,036	1,365,443	-23.98 %
Unrestricted	(27,241,062)	(22,834,663)	-19.30 %
Total net position	\$ (18,661,844)	\$ (14,150,901)	-31.88 %

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	(\$27,241,062)
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	31,687,440
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 4,446,378</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 \$285,615.
- The principal retirement of \$514,831 of long-term debt.
- Implementation of GASB 75 which resulted in the recognition of a net OPEB liability in the amount of \$2,150,049.

PRENTISS COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis For the Year Ended June 30, 2018

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2018 and June 30, 2017 were \$22,408,686 and \$22,166,581, respectively. The total cost of all programs and services was \$24,749,596 for 2018 and \$24,533,883 for 2017.

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

Table 2
Changes in Net Position

	Year Ended June 30, 2018	Year Ended June 30, 2017	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 1,186,322	\$ 1,148,477	3.30 %
Operating grants and contributions	3,996,470	3,989,178	0.18 %
Capital grants and contributions	42,612	-	N/A
General revenues:			
Property taxes	3,510,589	3,529,113	(0.52) %
Grants and contributions not restricted	13,578,727	13,293,207	2.15 %
Investment earnings	16,039	5,916	171.11 %
Other	77,927	200,690	(61.17) %
Total revenues	22,408,686	22,166,581	1.09 %
Expenses:			
Instruction	12,416,968	12,084,633	2.75 %
Support services	6,180,445	5,969,583	3.53 %
Non-instructional	1,679,365	1,786,629	(6.00) %
Pension expense	4,331,158	4,634,756	(6.55) %
OPEB expense	109,387	-	N/A
Interest on long-term liabilities	32,273	58,282	(44.63) %
Total expenses	24,749,596	24,533,883	0.88 %
Increase (Decrease) in net position	(2,340,910)	(2,367,302)	1.11 %
Net Position, July 1, as previously reported	(14,150,901)	(12,610,501)	(12.22) %
Prior Period Adjustment	(2,170,033)	826,902	(362.43) %
Net Position, July 1, as restated	(16,320,934)	(11,783,599)	(38.51) %
Net Position, June 30	\$ (18,661,844)	\$ (14,150,901)	(31.88) %

Governmental activities

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

PRENTISS COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis For the Year Ended June 30, 2018

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2018	2017	
Instruction	\$ 12,416,968	\$ 12,084,633	2.75 %
Support services	6,180,445	5,969,583	3.53 %
Non-instructional	1,679,365	1,786,629	(6.00) %
Pension Expense	4,331,158	4,634,756	(6.55) %
OPEB Expense	109,387	-	N/A
Interest on long-term liabilities	32,273	58,282	(44.63) %
Total expenses	\$ 24,749,596	\$ 24,533,883	0.88 %

	Net (Expense) Revenue		Percentage Change
	2018	2017	
Instruction	\$ (9,686,412)	\$ (9,357,579)	(3.51) %
Support services	(5,221,887)	(5,045,683)	(3.49) %
Non-instructional	(165,065)	(299,928)	44.97 %
Pension Expense	(4,331,158)	(4,634,756)	6.55 %
OPEB Expense	(109,387)	-	N/A
Interest on long-term liabilities	(10,283)	(58,282)	82.36 %
Total net (expense) revenue	\$ (19,524,192)	\$ (19,396,228)	(0.66) %

- Net cost of governmental activities [(\$19,524,192) for 2018 and (\$19,396,228) for 2017] was financed by general revenue, which is primarily made up of property taxes (\$3,510,589 for 2018 and \$3,529,113 for 2017) and state and federal revenues (\$13,578,727 for 2018 and \$13,293,207 for 2017).
- Investment earnings amounted to \$16,039 for 2018 and \$5,916 for 2017.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$5,670,701, a decrease of \$257,610, which includes a prior period adjustment of (\$35,182) and a decrease in inventory of \$7,465. \$3,457,941 or 61% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$2,212,760 or 39% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

PRENTISS COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis For the Year Ended June 30, 2018

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 \$269,329, which included a prior period adjustment of (\$35,182). The fund balance of Other Governmental Funds showed an increase in the amount of \$86,056. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Child Nutrition Fund	\$ (74,337)
Title I Fund	No change
EHA Part B Fund	No change
21st Century Grant	No change

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2018, the District's total capital assets were \$15,174,894, including land, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, and furniture and equipment. This amount represents a decrease of \$80,885 from 2017. Total accumulated depreciation as of June 30, 2018, was \$6,892,635, and total depreciation expense for the year was \$372,435, resulting in total net capital assets of \$8,282,259.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
Land	\$ 252,634	\$ 252,754	(0.05) %
Buildings	6,919,033	7,140,744	(3.10) %
Building improvements	332,839	358,345	(7.12) %
Improvements other than buildings	198,359	211,477	(6.20) %
Mobile equipment	468,233	527,349	(11.21) %
Furniture and equipment	95,363	52,470	81.75 %
Leased property under capital lease	15,798	24,735	(36.13) %
Total	\$ 8,282,259	\$ 8,567,874	(3.33) %

Additional information on the District's capital assets can be found in Note 4 included in this report.

Debt Administration. At June 30, 2018, the District had \$943,409 in outstanding long-term debt, of which \$183,466 is due within one year. The liability for compensated absences decreased \$2,032 from the prior year.

PRENTISS COUNTY SCHOOL DISTRICT

Management's Discussion and Analysis
For the Year Ended June 30, 2018

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
Limited obligation bonds payable	\$ -	\$ 330,000	(100.00) %
Three mill notes payable	750,000	930,000	(19.35) %
Obligations under capital leases	8,447	13,278	(36.38) %
Compensated absences payable	184,962	186,994	(1.09) %
Total	<u>\$ 943,409</u>	<u>\$ 1,460,272</u>	(35.39) %

Additional information on the District's long-term debt can be found in Note 5 included in this report.

CURRENT ISSUES

The Prentiss 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 plans to continue its sound financial management to meet the challenges and to embrace the opportunities of the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Prentiss County School District, 103 North College Street, Booneville, Mississippi 38829.

FINANCIAL STATEMENTS

(This page left blank intentionally)

PRENTISS COUNTY SCHOOL DISTRICT

Statement of Net Position
June 30, 2018

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 4,631,073
Investments	337,189
Due from other governments	619,816
Other receivables, net	95,130
Inventories	30,914
Capital assets, net of accumulated depreciation	8,282,259
Total Assets	13,996,381
Deferred Outflows of Resources	
Deferred outflows - advance refunding of debt	24,103
Deferred outflows - pensions	3,428,755
Deferred outflows - OPEB	106,879
Total deferred outflows of resources	3,559,737
Liabilities	
Accounts payable and accrued liabilities	43,421
Interest payable on long-term liabilities	1,325
Long-term liabilities, due within one year:	
Capital related liabilities	183,466
Net OPEB liability	91,660
Long-term liabilities, due beyond one year:	
Capital related liabilities	574,981
Non-capital related liabilities	184,962
Bond premium	6,733
Net Pension liability	32,249,384
Net OPEB liability	2,058,389
Total Liabilities	35,394,321
Deferred Inflows of Resources	
Deferred inflows - pensions	714,161
Deferred inflows - OPEB	109,480
Total deferred inflows of resources	823,641
Net Position	
Net investment in capital assets	7,541,182
Restricted for:	
Expendable:	
School-based activities	618,992
Debt service	389,944
Unemployment	29,100
Unrestricted	(27,241,062)
Total Net Position	\$ (18,661,844)

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

(This page left blank intentionally)

PRENTISS COUNTY SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 12,416,968	902,885	1,827,671		(9,686,412)
Support services	6,180,445	12,300	946,258		(5,221,887)
Non-instructional	1,679,365	271,137	1,200,551	42,612	(165,065)
Pension expense	4,331,158				(4,331,158)
OPEB expense	109,387				(109,387)
Interest on long-term liabilities	32,273		21,990		(10,283)
Total Governmental Activities	<u>\$ 24,749,596</u>	<u>1,186,322</u>	<u>3,996,470</u>	<u>42,612</u>	<u>\$ (19,524,192)</u>
General Revenues:					
Taxes:					
General purpose levies					
					3,329,591
Debt purpose levies					
					180,998
Unrestricted grants and contributions:					
State					
					13,338,169
Federal					
					240,558
Unrestricted investment earnings					
					16,039
Other					
					77,927
Total General Revenues					<u>17,183,282</u>
Change in Net Position					<u>(2,340,910)</u>
Net Position - Beginning, as previously reported					(14,150,901)
Prior Period Adjustments					<u>(2,170,033)</u>
Net Position - Beginning, as restated					<u>(16,320,934)</u>
Net Position - Ending					<u><u>\$ (18,661,844)</u></u>

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

(This page left blank intentionally)

PRENTISS COUNTY SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2018

Exhibit C

	Major Funds					Other	Total
	General	Child	Title I	EHA Part B	21st Century	Governmental	Governmental
	Fund	Nutrition	Fund	Fund	Grant	Funds	Funds
Assets							
Cash and cash equivalents	\$ 3,598,992	588,573				443,508	4,631,073
Investments						337,189	337,189
Due from other governments	348,544		52,136	97,161	68,658	53,317	619,816
Other receivables						94,856	94,856
Due from other funds	258,267						258,267
Inventories		30,914					30,914
Total assets	4,205,803	619,487	52,136	97,161	68,658	928,870	5,972,115
Liabilities and Fund Balances							
Liabilities:							
Accounts payable and accrued liabilities	21,900	495				21,022	43,417
Unearned revenue						4	4
Due to other funds			52,136	97,161	68,658	40,038	257,993
Total Liabilities	21,900	495	52,136	97,161	68,658	61,064	301,414
Fund Balances:							
Nonspendable:							
Inventory		30,914					30,914
Restricted:							
Debt service						391,269	391,269
Grant activities		588,078					588,078
Unemployment benefits						29,100	29,100
Assigned:							
Debt service						337,189	337,189
Student activities	255,634						255,634
Special projects	364,780						364,780
Transportation	105,548						105,548
Vocational						81,138	81,138
Unemployment benefits						29,110	29,110
Unassigned	3,457,941						3,457,941
Total Fund Balances	4,183,903	618,992	0	0	0	867,806	5,670,701
Total Liabilities and Fund Balances	\$ 4,205,803	619,487	52,136	97,161	68,658	928,870	5,972,115

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

(This page left blank intentionally)

PRENTISS COUNTY SCHOOL DISTRICT

Governmental Funds

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

Exhibit C-1

Total fund balances for governmental funds \$ 5,670,701

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

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

Land	252,634	
Buildings	11,891,427	
Building improvements	637,641	
Improvements other than buildings	327,956	
Mobile equipment	1,474,802	
Furniture and equipment	561,974	
Leased property under capital lease	28,460	
Accumulated depreciation	<u>(6,892,635)</u>	8,282,259

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

Net pension liability (32,249,384)

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

Deferred outflows of resources related to pensions	3,428,755	
Deferred inflows of resources related to pensions	<u>(714,161)</u>	(29,534,790)

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

Net OPEB liability (2,150,049)

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

Deferred outflows of resources related to OPEB	106,879	
Deferred inflows of resources related to OPEB	<u>(109,480)</u>	(2,152,650)

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

Three mill notes payable	(750,000)	
Obligations under capital lease	(8,447)	
Compensated absences payable	(184,962)	
Premium on debt	(6,733)	
Deferred outflows - advance refunding of debt	24,103	
Accrued interest payable	<u>(1,325)</u>	(927,364)

Net Position of governmental activities

\$ (18,661,844)

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

(This page left blank intentionally)

PRETISS COUNTY SCHOOL DISTRICT

Governmental Funds

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

Exhibit D

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General Fund	Child Nutrition Fund	Title I Fund	EHA Part B Fund	21st Century Grant		
Revenues:							
Local sources	\$ 4,163,697	282,137				345,042	4,790,876
State sources	13,128,699	12,165				1,223,210	14,364,074
Federal sources	258,389	1,296,842	634,787	611,790	171,123	280,804	3,253,735
Total Revenues	17,550,785	1,591,144	634,787	611,790	171,123	1,849,056	22,408,685
Expenditures:							
Instruction	11,631,712		290,469	337,396	162,444	1,536,469	13,958,490
Support services	5,228,805	97,226	211,800	274,394	8,679	513,300	6,334,204
Noninstructional services	242,673	1,523,450	10,926			1,253	1,778,302
Debt service:							
Principal	2,491	2,340				510,000	514,831
Interest	127					33,250	33,377
Other						4,445	4,445
Total Expenditures	17,105,808	1,623,016	513,195	611,790	171,123	2,598,717	22,623,649
Excess (Deficiency) of Revenues over (under) Expenditures	444,977	(31,872)	121,592	0	0	(749,661)	(214,964)
Other Financing Sources (Uses):							
Sale of assets	1						1
Operating transfers in	35,000					835,717	870,717
Operating transfers out	(714,125)	(35,000)	(121,592)				(870,717)
Total Other Financing Sources (Uses)	(679,124)	(35,000)	(121,592)	0	0	835,717	1
Net Change in Fund Balances	(234,147)	(66,872)	0	0	0	86,056	(214,963)
Fund Balances:							
July 1, 2017, as previously reported	4,453,232	693,329	0	0	0	781,750	5,928,311
Prior period adjustments	(35,182)						(35,182)
July 1, 2017, as restated	4,418,050	693,329	0	0	0	781,750	5,893,129
Increase (Decrease) in reserve for inventory June 30, 2018	\$ 4,183,903	618,992	0	0	0	867,806	5,670,701

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

(This page left blank intentionally)

PRENTISS COUNTY SCHOOL DISTRICT

Governmental Funds

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

Exhibit D-1

Net change in fund balances - total governmental funds \$ (214,963)

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

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	89,419	
Depreciation expense	<u>(372,435)</u>	(283,016)
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold.		
	<u>(2,671)</u>	(2,671)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
Payments of debt principal	514,831	
Accrued interest payable	<u>7,457</u>	522,288
4. Some items relating to pensions and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. The activities		
Pension expense	(4,331,158)	
Contributions subsequent to the measurement date	<u>1,998,123</u>	(2,333,035)
5. Some items relating to OPEB and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. The activities		
OPEB expense	(109,387)	
Contributions subsequent to the measurement date	<u>91,660</u>	(17,727)
6. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences	2,032	
Amortization of premium	1,682	
Amortization of deferred outflows on debt	(8,035)	
Change in inventory reserve	<u>(7,465)</u>	(11,786)

Change in Net Position of governmental activities \$ (2,340,910)

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

(This page left blank intentionally)

PRENTISS COUNTY SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2018

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents	\$ 1,090,502
Total Assets	<u>1,090,502</u>
Liabilities	
Accounts payable and accrued liabilities	990,221
Due to other funds	274
Due to student clubs	100,007
Total Liabilities	<u>\$ 1,090,502</u>

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

(This page left blank intentionally)

PRENTISS COUNTY SCHOOL DISTRICT

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

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

For financial reporting purposes, Prentiss 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, liabilities, and deferred inflows with the difference reported as net position. Net position is reported in three categories:

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

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

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

PRENTISS COUNTY SCHOOL DISTRICT

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

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.

Child Nutrition Fund – This special revenue fund accounts for the expenditures and related revenues of the Child Nutrition cluster of federal awards.

Title I Fund – This special revenue fund accounts for the expenditures and related revenues of the federal Title I grant to local educational agencies.

EHA Part B Fund – This is a special revenue fund that accounts for the expenditures and related revenues of the federal special education grant, which is part of the federal Special Education cluster of awards.

21st Century Grant – This is a special revenue fund used to account for the expenditures and related revenues of the 21st Century Community Learning Centers federal award.

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

The District's fiduciary funds include the following:

Student Club Funds – These funds account for the monies raised through student club activities.

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

Accounts Payable Clearing Fund – This fund is used to report the resources of paid claims held by the district in a purely custodial capacity (assets and liabilities) and does not involve the measurement of the results of operations.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

PRENTISS COUNTY SCHOOL DISTRICT

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

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

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

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

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

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

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

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

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

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

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

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

PRENTISS COUNTY SCHOOL DISTRICT

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

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending

PRENTISS COUNTY SCHOOL DISTRICT

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

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 leases	*	*

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 4 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred outflows – Advance refunding of debt

Deferred outflows – Pensions

Deferred outflows - Postemployment Benefits Other Than Pensions (OPEB)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred inflows – Pensions

Deferred inflows - Postemployment Benefits Other Than Pensions (OPEB)

See Note 7 for further details on Pensions and Note 8 for further details on OPEB.

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

PRENTISS COUNTY SCHOOL DISTRICT

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

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 5 for details.

10. Pensions

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

11. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Fiduciary net position was zero as of the measurement date of June 30, 2017.

12. Fund Balances

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making

PRENTISS COUNTY SCHOOL DISTRICT

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

authority. This formal action is the approval of the commitment by the school board. Currently there is no committed fund balance for this school district.

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

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

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

Note 2 – Cash and Cash Equivalents and Investments

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$4,631,073 and \$1,090,502, 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

PRENTISS COUNTY SCHOOL DISTRICT

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

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.

Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
Treasury Cash Reserve Fund	AAAm	Less than 5 years	337,189
Total			<u>\$ 337,189</u>

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

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

- All investments are valued using quoted market prices (Level 1 inputs)

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

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

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

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

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I Fund	\$ 52,136
	EHA Part B Fund	97,161
	21st Century Grant	68,658
	Other governmental funds	40,038
	Fiduciary funds	274
Total		<u>\$ 258,267</u>

PRENTISS COUNTY SCHOOL DISTRICT

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

The amounts represent inter-fund balances created by loans from the General Fund to special revenue funds to provide adequate cash flow for those funds operating on an expenditure reimbursement basis. Cash is loaned to the funds for operational purposes, and the loans are repaid after reimbursement for grant expenditures is received. Amounts also included are amounts due to the general fund from clearing funds at June 30, 2018.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 714,125
Child Nutrition Fund	General Fund	35,000
Title I Fund	Other governmental funds	121,592
Total		<u>\$ 870,717</u>

Transfers represent indirect costs from special revenue funds transferred to the General Fund and operational transfers between governmental funds.

Note 4 – Capital Assets

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

	Balance 7/1/2017	Increases	Decreases	Adjustments	Balance 6/30/2018
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 252,754		120		252,634
Total non-depreciable capital assets	252,754	-	120	-	252,634
<u>Depreciable capital assets:</u>					
Buildings	11,891,427				11,891,427
Building improvements	637,641				637,641
Improvements other than buildings	327,956				327,956
Mobile equipment	1,464,953	19,280	9,431		1,474,802
Furniture and equipment	646,582	70,139	160,753	6,006	561,974
Leased property under capital lease	34,466			(6,006)	28,460
Total depreciable capital assets	15,003,025	89,419	170,184	-	14,922,260
<u>Less accumulated depreciation for:</u>					
Buildings	4,750,683	221,711			4,972,394
Building improvements	279,296	25,506			304,802
Improvements other than buildings	116,479	13,118			129,597
Mobile equipment	937,604	77,525	8,488	(72)	1,006,569
Furniture and equipment	594,112	30,795	159,145	849	466,611
Leased property under capital lease	9,731	3,780		(849)	12,662
Total accumulated depreciation	6,687,905	372,435	167,633	(72)	6,892,635
Total depreciable capital assets, net	8,315,120	(283,016)	2,551	72	8,029,625
Governmental activities capital assets, net	\$ 8,567,874	(283,016)	2,671	72	8,282,259

Depreciation expense was charged to the following governmental functions:

PRENTISS COUNTY SCHOOL DISTRICT

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

	Amount
Governmental activities:	
Instruction	\$ 6,483
Support services	351,229
Non-instructional	14,723
Total depreciation expense - Governmental activities	<u>\$ 372,435</u>

Note 5 – Long-term Liabilities

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

	Balance 7/1/2017	Additions	Reductions	Balance 6/30/2018	Amounts due within one year
A. Limited obligation bonds payable	\$ 330,000		330,000	-	
B. Three mill notes payable	930,000		180,000	750,000	180,000
C. Obligations under capital lease	13,278		4,831	8,447	3,466
D. Compensated absences payable	186,994		2,032	184,962	
Subtotal	<u>\$ 1,460,272</u>	-	<u>516,863</u>	<u>943,409</u>	<u>183,466</u>
Premium on debt issuance	8,415		1,682	6,733	
Total	<u>1,468,687</u>	-	<u>518,545</u>	<u>950,142</u>	

A. Limited obligation bonds payable

General obligation bonds outstanding at July 1, 2017, were paid in full during the year ended June 30, 2018.

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax refunding, series 2012	1.0 - 2.5%	20-Jun-12	30-Jun-22	\$ 1,640,000	\$ 750,000
				<u>\$ 1,640,000</u>	<u>\$ 750,000</u>

The following are schedules by years of the total payments due on this debt:

Limited tax refunding, series 2012, issued June 20, 2012.

Year Ending June 30	Principal	Interest	Total
2019	\$ 180,000	16,450	196,450
2020	185,000	12,850	197,850
2021	190,000	9,150	199,150
2022	195,000	4,875	199,875
Total	<u>\$ 750,000</u>	<u>43,325</u>	<u>793,325</u>

PRENTISS COUNTY SCHOOL DISTRICT

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

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

This debt is secured by an irrevocable pledge of the district's Education Enhancement Funds ("EEF" funds) that are received from the State of Mississippi pursuant to Section 3-61-33, Mississippi Code Ann. (1972). The debt payments for this note are partially payable from such future revenues and are payable through June 30, 2022. The debt service requirements of the debt and the amount of such state revenues received during the year ended June 30, 2017, were \$200,050 and \$73,354. The remainder needed to service this debt is provided by an annual ad valorem tax levy.

C. Obligations under capital lease

The district has entered into two capital leases as described below,

1. Mower – Jumpertown School – Acquisition cost of \$19,100 with a down payment of \$6,646.
2. Dishwasher – Jumpertown School – Acquisition cost of \$9,360 with a down payment of \$4,000.

The title of the equipment will be transferred to the school district at the end of the lease terms.

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

1. John Deere Mower lease dated June 27, 2016.

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2019	\$ 2,491	127	2,618
2020	2,491	127	2,618
2021	2,490	127	2,617
Total	<u>\$ 7,472</u>	<u>381</u>	<u>7,853</u>

This debt will be retired from the General Fund.

2. Dishwasher lease dated January 7, 2015.

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2019	\$ 975	-	975
Total	<u>\$ 975</u>	<u>-</u>	<u>975</u>

This debt will be retired from the Child Nutrition Fund.

The following is a schedule of total obligations under capital lease for all leases:

PRENTISS COUNTY SCHOOL DISTRICT

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2019	\$ 3,466	127	3,593
2020	2,491	127	2,618
2021	2,490	127	2,617
Total	<u>\$ 8,447</u>	<u>381</u>	<u>8,828</u>

The school district uses the straight-line method of amortization for the lease payments which is not in accordance with accounting principles generally accepted in the United States of America. However, the difference between the effective interest method and the straight-line method is not considered material.

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 6 – Other Commitments

Operating leases:

The school district has operating leases for computer equipment for three (3) computer labs in the district.

Lease expenditures for the year ended June 30, 2018, amounted to \$19,580. Future lease payments for this lease are as follows:

Year Ending June 30	Amount
2019	\$ 17,589
2020	18,203
Total	<u>\$ 35,792</u>

Note 7 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least

PRENTISS COUNTY SCHOOL DISTRICT

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

30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2018 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2018, 2017 and 2016 were \$1,998,123, \$1,964,423 and \$1,943,795, 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 \$32,249,384 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 0.1940 percent, which was based on a measurement date of June 30, 2017. This was an increase of 0.001 percent from its proportionate share used to calculate the June 30, 2017 net pension liability, which was based on a measurement date of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$4,331,158. 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	\$ 460,177	\$ 235,314
Net difference between projected and actual earnings on pension plan investments		412,597
Changes of assumptions	709,026	54,670
Changes in proportion and differences between District contributions and proportionate share of contributions	261,429	11,580
District contributions subsequent to the measurement date	1,998,123	
Total	\$ <u>3,428,755</u>	\$ <u>714,161</u>

\$1,998,123 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:

PRENTISS COUNTY SCHOOL DISTRICT

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

Year Ending June 30:

2019	\$ 724,815
2020	569,848
2021	44,749
2022	(622,941)

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.25-18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2022, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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

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

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

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as

PRENTISS COUNTY SCHOOL DISTRICT

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

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	\$ 42,297,221	\$ 32,249,384	\$ 23,907,497

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

Note 8– Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

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

Benefits provided.

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

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$91,660 for the year ended June 30, 2018.

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

PRENTISS COUNTY SCHOOL DISTRICT

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

At June 30, 2018, the District reported a liability of \$2,150,049 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 0.2740 percent. This was an increase of 0.0022 percent from the proportionate share as of the measurement date of June 30, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$109,387. 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
	\$	\$
Changes of assumptions		109,480
Net difference between projected and actual earnings on OPEB plan investments		
Changes in proportion and differences between District contributions and proportionate share of contributions	15,219	
District contributions subsequent to the measurement date	91,660	
Total	\$ <u>106,879</u>	\$ <u>109,480</u>

\$91,660 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 inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:

2019	\$ (16,537)
2020	(16,537)
2021	(16,537)
2022	(16,537)
2023	(16,537)
Thereafter	(11,576)

Actuarial assumptions. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00 percent
Salary increases	3.25-18.50 percent, including wage inflation
Long-term Investment Rate of Return, net of OPEB plan investment expense, including inflation	N/A
Municipal Bond Index Rate	
Measurement Date	3.56 percent
Prior Measurement Date	3.01 percent

PRENTISS COUNTY SCHOOL DISTRICT

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

Year FNP is projected to be depleted

Measurement Date	2017
Prior Measurement Date	2016

Single Equivalent Interest Rate, net
of OPEB plan investment expense,
including inflation

Measurement Date	3.56 percent
Prior Measurement Date	3.01 percent

Health Care Cost Trends

Medicare Supplement Claims	7.75 percent for 2017 decreasing to an
Pre-Medicare	ultimate rate of 5.00 percent by 2023

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

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

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

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

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

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

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

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

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Net OPEB liability	\$ 2,206,830	\$ 2,150,049	\$ 2,107,764

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

PRENTISS COUNTY SCHOOL DISTRICT

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

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	\$ 1,985,714	\$ 2,150,049	\$ 2,337,654

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

Note 9 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Error in recording a prior period asset or liability	(35,182)
2. Adjustment to depreciation expense charged in a prior period	72
3. Adjustment to reflect the implementation of GASB Statement No. 75	(2,134,923)
Total	<u>\$ (2,170,033)</u>

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

Fund	Explanation	Amount
General Fund	Error in recording a prior period asset or liability	\$ (35,182)
Total		<u>\$ (35,182)</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 disallowances resulting from the grantor audit may become a liability of the school district.

Litigation – The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings.

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. Except as described below, 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.

PRENTISS COUNTY SCHOOL DISTRICT

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

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

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

Note 12 – Vocational School Consortium

The school district entered into a Vocational Educational Agreement dated August 17, 1982, creating the Prentiss County Career and Technology Center. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes Prentiss County School District and Booneville School District.

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

Prentiss County School District has been designated as the fiscal agent for the center, and the operations of the consortium are included in its financial statements.

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

Note 13 – Fund Balance Assignments

The amount assigned for debt service (\$391,269) shown on Exhibit C represents pledged amounts of state revenue remaining on hand with the bond sinking fund agent in connection with the Series 2007 MAEP Refunding Bonds (limited obligation bonds payable) retired September 11, 2017. This amount represents pledged amounts transferred to the bond sinking fund agent remaining after the debt was retired. This debt service amount is assigned pending school board action to remove the assignment and transfer the funds to the general fund.

The amount assigned for unemployment (\$29,110) shown on Exhibit C represents the amount held in the Unemployment Compensation Fund at June 30, 2018, above the statutory requirement necessary to fill that fund.

PRENTISS COUNTY SCHOOL DISTRICT

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

Prentiss County Career and Technology Center Statement of Revenues, Expenditures and Changes in Fund Balance For the Year Ended June 30, 2018

Revenues	
Local sources:	
Tuition from other LEA's	\$ 83,967
Total local sources	83,967
State sources	501,449
Federal sources	93,142
Total Revenues	678,558
Expenditures	
Salaries	1,065,316
Employee Benefits	246,957
Purchased property services	35,436
Other purchased services	679
Supplies	9,073
Property	49,698
Other	3,875
Total Expenditures	1,411,034
Excess deficiency of revenues under Expenditures	(732,476)
Other Financing Sources/Uses	
Transfers In	712,759
Total other financing sources/uses	712,759
Net Change in Fund Balance	(19,717)
Fund Balance	
July 1, 2017	100,854
June 30, 2018	\$ 81,137

Note 14 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$27,241,062) includes the effect of deferring the recognition of deferred outflows and deferred inflows related to pensions and OPEB. \$1,998,123 of the deferred outflow of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. The remaining \$1,430,632 of the deferred outflow of resources related to pensions at June 30, 2018, will be recognized as expense and decrease unrestricted net position over the next three (3) years. \$91,660 of the deferred outflow of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. The remaining \$15,219 of the deferred outflow of resources related to OPEB at June 30, 2018, will be recognized as expense and decrease unrestricted net position over the next six (6) years.

The unrestricted net position of (\$27,241,062) includes the effect of deferring the recognition of deferred inflows related to pensions and OPEB. The balance of \$714,161 of the deferred inflow of resources related to pensions at June 30, 2018, will be recognized as a reduction of expense and increase unrestricted net position over the next four (4) years. The \$109,480 balance of deferred inflows related to OPEB at June 30, 2018, will be recognized as a reduction of expense and increase unrestricted net position over the next six (6) years.

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 Prentiss County School District evaluated the activity of the district through February 8, 2019 and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

(This page left blank intentionally)

PRENTISS COUNTY SCHOOL DISTRICT
Required Supplementary Information

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 4,059,631	4,163,697	4,163,697	104,066	0
State sources	13,105,890	13,128,699	13,128,699	22,809	0
Federal sources	310,150	258,389	258,389	(51,761)	0
Total Revenues	17,475,671	17,550,785	17,550,785	75,114	0
Expenditures:					
Instruction	11,585,729	11,611,798	11,631,712	(26,069)	(19,914)
Support services	5,060,471	5,231,423	5,228,805	(170,952)	2,618
Noninstructional services	261,200	242,673	242,673	18,527	0
Debt service:					
Principal	0	19,580	2,491	(19,580)	17,089
Interest	0	334	127	(334)	207
Total Expenditures	16,907,400	17,105,808	17,105,808	(198,408)	0
Excess (Deficiency) of Revenues over (under) Expenditures	568,271	444,977	444,977	(123,294)	0
Other Financing Sources (Uses):					
Sale of assets	0	1	1	1	0
Operating transfers in	2,546,764	2,705,908	35,000	159,144	(2,670,908)
Operating transfers out	(3,247,331)	(3,385,033)	(714,125)	(137,702)	2,670,908
Total Other Financing Sources (Uses)	(700,567)	(679,124)	(679,124)	21,443	0
Net Change in Fund Balances	(132,296)	(234,147)	(234,147)	(101,851)	0
Fund Balances:					
July 1, 2017, as previously reported	5,890,529	4,379,249	4,453,232	(1,511,280)	73,983
Prior period adjustments	0	38,801	(35,182)	38,801	(73,983)
July 1, 2017, as restated	5,890,529	4,418,050	4,418,050	(1,472,479)	0
June 30, 2018	\$ 5,758,233	4,183,903	4,183,903	(1,574,330)	0

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

(This page left blank intentionally)

PRENTISS COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
Child Nutrition 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	\$ 319,200	282,137	282,137	(37,063)	0
State sources	14,500	12,165	12,165	(2,335)	0
Federal sources	1,086,000	1,296,842	1,296,842	210,842	0
Total Revenues	1,419,700	1,591,144	1,591,144	171,444	0
Expenditures:					
Support services	82,556	97,226	97,226	(14,670)	0
Noninstructional services	1,445,479	1,523,450	1,523,450	(77,971)	0
Debt service:					
Principal	0	2,340	2,340	(2,340)	0
Total Expenditures	1,528,035	1,623,016	1,623,016	(94,981)	0
Excess (Deficiency) of Revenues over (under) Expenditures	(108,335)	(31,872)	(31,872)	76,463	0
Other Financing Sources (Uses):					
Operating transfers out	(35,000)	(35,000)	(35,000)	0	0
Total Other Financing Sources (Uses)	(35,000)	(35,000)	(35,000)	0	0
Net Change in Fund Balances	(143,335)	(66,872)	(66,872)	76,463	0
Fund Balances:					
July 1, 2017	789,903	693,329	693,329	(96,574)	0
Decrease in reserve for inventory	0	(7,465)	(7,465)	(7,465)	0
June 30, 2018	\$ 646,568	618,992	618,992	(27,576)	0

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

(This page left blank intentionally)

PRENTISS COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
Title I Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 478,136	478,136	634,787	0	156,651
Total Revenues	478,136	478,136	634,787	0	156,651
Expenditures:					
Instruction	222,162	361,493	290,469	(139,331)	71,024
Support services	141,238	276,363	211,800	(135,125)	64,563
Noninstructional services	6,150	13,169	10,926	(7,019)	2,243
Total Expenditures	369,550	651,025	513,195	(281,475)	137,830
Excess (Deficiency) of Revenues over (under) Expenditures	108,586	(172,889)	121,592	(281,475)	294,481
Other Financing Sources (Uses):					
Operating transfers out	(108,586)	(137,201)	(121,592)	(28,615)	15,609
Total Other Financing Sources (Uses)	(108,586)	(137,201)	(121,592)	(28,615)	15,609
Net Change in Fund Balances	0	(310,090)	0	(310,090)	310,090
Fund Balances:					
July 1, 2017	0	0	0	0	0
June 30, 2018	\$ 0	(310,090)	0	(310,090)	310,090

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

(This page left blank intentionally)

PRENTISS COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
EHA Part B 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	\$	633,414	633,414	611,790	0	(21,624)
Total Revenues		633,414	633,414	611,790	0	(21,624)
Expenditures:						
Instruction		358,378	363,205	337,396	(4,827)	25,809
Support services		273,987	289,798	274,394	(15,811)	15,404
Noninstructional services		100	250	0	(150)	250
Total Expenditures		632,465	653,253	611,790	(20,788)	41,463
Excess (Deficiency) of Revenues over (under) Expenditures		949	(19,839)	0	(20,788)	19,839
Other Financing Sources (Uses):						
Operating transfers out		(949)	(960)	0	(11)	960
Total Other Financing Sources (Uses)		(949)	(960)	0	(11)	960
Net Change in Fund Balances		0	(20,799)	0	(20,799)	20,799
Fund Balances:						
July 1, 2017		0	0	0	0	0
June 30, 2018	\$	0	(20,799)	0	(20,799)	20,799

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

(This page left blank intentionally)

PRENTISS COUNTY SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
21st Century Grant
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 199,800	199,800	171,123	0	(28,677)
Total Revenues	199,800	199,800	171,123	0	(28,677)
Expenditures:					
Instruction	173,622	197,660	162,444	(24,038)	35,216
Support services	26,178	8,678	8,679	17,500	(1)
Total Expenditures	199,800	206,338	171,123	(6,538)	35,215
Net Change in Fund Balances	0	(6,538)	0	(6,538)	6,538
Fund Balances:					
July 1, 2017	0	0	0	0	0
June 30, 2018	\$ 0	(6,538)	0	(6,538)	6,538

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

(This page left blank intentionally)

PRENTISS COUNTY SCHOOL DISTRICT

Required Supplementary Information

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

PERS

Last 10 Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.1940%	0.1930%	0.1918%	0.1890%
District's proportionate share of the net pension liability	\$ 32,249,384	34,474,619	29,648,498	22,941,139
District's covered payroll	\$ 12,472,527	12,341,613	11,979,505	11,526,921
District's proportionate share of the net pension liability as a percentage of its covered payroll	259%	279%	247%	199%
Plan fiduciary net position as a percentage of the total pension liability	61%	57%	62%	67%

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

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

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

(This page left blank intentionally)

PRETISS COUNTY SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

PERS

Last 10 Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,998,123	1,964,423	1,943,795	1,886,772
Contributions in relation to the contractually required contribution	1,998,123	1,964,423	1,943,795	1,886,772
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	12,686,495	12,472,527	12,341,556	11,979,505
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented in FYE 6/30/2015, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

(This page left blank intentionally)

PRETISS COUNTY SCHOOL DISTRICT

Required Supplementary Information

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

OPEB

Last 10 Fiscal Years*

	2018
District's proportion of the net OPEB liability	% 0.2740
District's proportionate share of the net OPEB liability	\$ 2,150,049
District's covered-employee payroll	\$ 12,472,527
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	17%
Plan fiduciary net position as a percentage of the total OPEB liability	0%

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

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

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

(This page left blank intentionally)

PRENTISS COUNTY SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

OPEB

Last 10 Fiscal Years

	2018
Contractually required contribution	\$ 91,660
Contributions in relation to the contractually required contribution	91,660
Contribution deficiency (excess)	\$ 0
District's covered-employee payroll	\$ 12,686,495
Contributions as a percentage of covered-employee payroll	0.72%

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

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

(This page left blank intentionally)

PRENTISS COUNTY SCHOOL DISTRICT

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

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *Changes of assumptions*

2015:

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

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

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

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

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

2016:

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

2017:

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

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

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

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

PRENTISS COUNTY SCHOOL DISTRICT

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

(2) *Changes in benefit provisions*

2016:

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

(3) *Method and assumptions used in calculations of actuarially determined contributions.*

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

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

OPEB Schedules

(1) *Changes of assumptions*

2017: The discount rate was changed from 3.01% for the prior Measurement Date to 3.56% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017: None

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

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	3 percent
Salary increases, including wage inflation	3.25 percent to 18.50 percent

PRENTISS COUNTY SCHOOL DISTRICT

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

Initial health care cost trend rates	
Medicare Supplement Claims	7.75 percent
Pre-Medicare	
Ultimate health care cost trend rates	
Medicare Supplement Claims	5.00 percent
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2022
Pre-Medicare	
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56 percent

(This page left blank intentionally)

SUPPLEMENTARY INFORMATION

(This page left blank intentionally)

PRENTISS COUNTY SCHOOL DISTRICT

Supplementary Information

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2018

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Pass-thru Grantor No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	185MS326N1099	\$ 480,163
National school lunch program	10.555	185MS326N1099	1,177,852
Total child nutrition cluster			1,658,015
Total passed-through Mississippi Department of Education			1,658,015
Total U.S. Department of Agriculture			1,658,015
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	ES010A160024 ES010A170024	634,787
Career and technical education - basic grants to states	84.048	VO48A170024	93,142
21st century community learning centers	84.287	ES287C160024 ES287C170024	171,123
Rural education	84.358	ES358B160024 ES358B170024	43,787
Supporting Effective Instruction State Grants	84.367	ES367A160023 ES367A170023	120,158
Student support and academic enrichment program grants	84.424	ES424A170025	200
Subtotal			1,063,197
Special education cluster:			
Special education - grants to states	84.027	H027A160108 H027A170108	617,321
Special education - preschool grants	84.173	H173A160113 H173A170113	23,517
Total special education cluster			640,838
Total passed-through Mississippi Department of Education			1,704,035
Total U.S. Department of Education			1,704,035
<u>U.S. Department of Health and Human Services</u>			
Passed-through Mississippi Department of Education:			
Medical assistance program	93.778	1705MS5ADM 1805MS5ADM	12,300
Total passed-through Mississippi Department of Education			12,300
Total U.S. Department of Health and Human Services			12,300
Total for All Federal Awards			\$ 3,374,350

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

(This page left blank intentionally)

PRENTISS COUNTY SCHOOL DISTRICT

Supplementary Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2018

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 17,477,992	14,128,443	689,849	859,768	1,799,932
Other	5,145,657	1,477,776	220,312	21,744	3,425,825
Total	<u>\$ 22,623,649</u>	<u>15,606,219</u>	<u>910,161</u>	<u>881,512</u>	<u>5,225,757</u>
Total number of students *	<u>2,373</u>				
Cost per student	<u>\$ 9,534</u>	<u>6,577</u>	<u>384</u>	<u>371</u>	<u>2,202</u>

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

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

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

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

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

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

(This page left blank intentionally)

PRENTISS COUNTY SCHOOL DISTRICT

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

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

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

(2) Summary of Significant Accounting Policies

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

(3) Indirect Cost Rate

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

(This page left blank intentionally)

OTHER INFORMATION

(This page left blank intentionally)

PRENTISS COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2018	2017*	2016*	2015*
Revenues:				
Local sources	\$ 4,163,697	4,206,728	4,046,499	3,878,169
State sources	13,128,699	12,825,292	12,888,310	11,833,995
Federal sources	258,389	198,048	104,687	153,480
Total Revenues	17,550,785	17,230,068	17,039,496	15,865,644
Expenditures:				
Instruction	11,631,712	11,211,620	11,108,146	10,854,230
Support services	5,228,805	4,991,510	4,647,225	4,528,097
Noninstructional services	242,673	276,561	349,888	306,790
Debt Service:				
Principal	2,491	2,491	7,034	10,108
Interest	127	127	259	545
Total Expenditures	17,105,808	16,482,309	16,112,552	15,699,770
Excess (Deficiency) of Revenues over (under) Expenditures	444,977	747,759	926,944	165,874
Other Financing Sources (Uses):				
Inception of capital leases			12,454	7,837
Insurance recovery		23,290		16,379
Sale of assets	1			
Sale of transportation equipment		6,764		500
Sale of equipment			9,500	
Operating transfers in	35,000	44,535	67,281	35,620
Operating transfers out	(714,125)	(806,537)	(664,340)	(4,540)
Other financing uses		(3,379)		
Total Other Financing Sources (Uses)	(679,124)	(735,327)	(575,105)	55,796
Net Change in Fund Balances	(234,147)	12,432	351,839	221,670
Fund Balances:				
Beginning of period, as previously reported	4,453,232	4,440,800	4,132,908	3,909,268
Prior period adjustments	(35,182)		(43,947)	1,970
Beginning of period, as restated	4,418,050	4,440,800	4,088,961	3,911,238
End of Period	\$ 4,183,903	4,453,232	4,440,800	4,132,908

*SOURCE - PRIOR YEAR AUDIT REPORTS

(This page left blank intentionally)

PRENTISS COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2018	2017*	2016*	2015*
Revenues:				
Local sources	\$ 4,790,876	4,864,284	4,703,382	4,539,048
State sources	14,364,074	14,038,484	14,036,696	13,624,572
Federal sources	3,253,735	3,243,902	3,284,064	3,450,434
Total Revenues	22,408,685	22,146,670	22,024,142	21,614,054
Expenditures:				
Instruction	13,958,490	13,558,591	13,415,675	13,151,366
Support services	6,334,204	6,201,641	5,885,291	5,962,632
Noninstructional services	1,778,302	1,851,136	1,774,280	1,668,378
Debt service:				
Principal	514,831	544,831	524,374	605,778
Interest	33,377	51,477	68,809	89,339
Other	4,445	3,290	3,290	2,040
Total Expenditures	22,623,649	22,210,966	21,671,719	21,479,533
Excess (Deficiency) of Revenues over (under) Expenditures	(214,964)	(64,296)	352,423	134,521
Other Financing Sources (Uses):				
Inception of capital leases			12,454	17,197
Insurance recovery		23,290		16,379
Sale of assets	1			
Sale of transportation equipment		6,764		500
Sale of equipment			9,500	
Operating transfers in	870,717	962,916	822,068	144,998
Operating transfers out	(870,717)	(962,916)	(822,068)	(144,998)
Other financing uses		(3,379)		
Total Other Financing Sources (Uses)	1	26,675	21,954	34,076
Net Change in Fund Balances	(214,963)	(37,621)	374,377	168,597
Fund Balances:				
Beginning of period, as previously reported	5,928,311	5,960,163	5,584,321	5,417,952
Prior period adjustments	(35,182)		(2,606)	1,970
Beginning of period, as restated	5,893,129	5,960,163	5,581,715	5,419,922
Increase (Decrease) in inventory	(7,465)	5,769	4,071	(4,198)
End of Period	\$ 5,670,701	5,928,311	5,960,163	5,584,321

*SOURCE - PRIOR YEAR AUDIT REPORTS

(This page left blank intentionally)

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

(This page left blank intentionally)

SUZANNE E. SMITH, CPA, PLLC
AUDITING AND ACCOUNTING SERVICES
sesmithcpa@msn.com

**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
Prentiss 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 Prentiss County School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Prentiss County School District's basic financial statements, and have issued our report thereon dated February 8, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Prentiss County 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 Prentiss County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Prentiss County 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency (Repeat Finding 2018-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Prentiss 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*.

District's Response to Findings

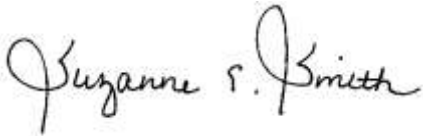
The district's response to the finding identified in our audit is described in the accompanying auditee's corrective action

POST OFFICE BOX 102
BRANDON, MISSISSIPPI 39043
PHONE: 601-938-5717

plan. Prentiss 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 the response.

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 result 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.

A handwritten signature in cursive script that reads "Suzanne E. Smith". The signature is written in dark ink and is positioned above the printed name and title.

Suzanne E. Smith, CPA, PLLC
Brandon, Mississippi
February 8, 2019

SUZANNE E. SMITH, CPA, PLLC
AUDITING AND ACCOUNTING SERVICES
sesmithcpa@msn.com

**Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control
Over Compliance Required by the Uniform Guidance**

Superintendent and School Board
Prentiss County School District

Report on Compliance for Each Major Federal Program

We have audited Prentiss 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 the district's major federal programs for the year ended June 30, 2018. Prentiss County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Prentiss 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 (CFR) 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 Prentiss County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Prentiss 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 major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

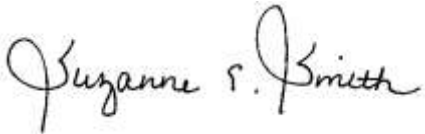
Management of Prentiss County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Prentiss County School District's internal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

POST OFFICE BOX 102
BRANDON, MISSISSIPPI 39043
PHONE: 601-938-5717

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

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

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

A handwritten signature in black ink that reads "Suzanne E. Smith". The signature is written in a cursive, flowing style.

Suzanne E. Smith, CPA, PLLC
Brandon, Mississippi
February 8, 2019

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

(This page left blank intentionally)

SUZANNE E. SMITH, CPA, PLLC
AUDITING AND ACCOUNTING SERVICES
sesmithcpa@msn.com

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

Superintendent and School Board
Prentiss County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Prentiss County School District as of and for the year ended June 30, 2018, which collectively comprise Prentiss County School District's basic financial statements and have issued our report thereon dated February 8, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

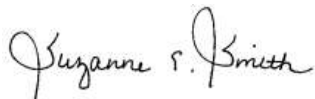
Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

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

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

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

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



Suzanne E. Smith, CPA, PLLC
Brandon, Mississippi
February 8, 2019

POST OFFICE BOX 102
BRANDON, MISSISSIPPI 39043
PHONE: 601-938-5717

(This page left blank intentionally)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(This page left blank intentionally)

PRENTISS 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? (Yes/No) | No |
| b. Significant deficiency(ies) identified? (Yes/None reported) | Yes |
| | |
| 3. Noncompliance material to financial statements noted? (Yes/No) | No |

Federal Awards:

- | | |
|--|---------------|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? (Yes/No) | No |
| b. Significant deficiency(ies) identified? (Yes/None reported) | None reported |
| | |
| 5. Type of auditor's report issued on compliance for major programs: | Unmodified |

- | | |
|--|----|
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? (Yes/No) | No |
|--|----|

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.358	Rural Education
84.027/84.173	Special Education Cluster

- | | |
|---|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
|---|-----------|

- | | |
|--|-----|
| 9. Auditee qualified as low-risk auditee? (Yes/No) | Yes |
|--|-----|

- | | |
|--|----|
| 10. Prior fiscal year audit findings(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). (Yes/No) | No |
|--|----|

Section II: Financial Statement Findings

Significant Deficiencies not considered to be Material Weaknesses:

Repeat Finding 2018-001. Control deficiencies surrounding student activity fund receipts/deposits/revenues and activity fund expenditure control cycles.

Criteria: The school district is charged with the responsibility of designing and implementing an effective system of internal control that will prevent asset misappropriation and that will protect the integrity of the

PRENTISS COUNTY SCHOOL DISTRICT

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

district's financial information. The area of student activity fund receipts is an especially vulnerable area because of the amount of cash and coins handled at locations remote to the central administrative offices. Student activity fund expenditures also present higher risks of misappropriation and financial statement error and misstatement because the receipt of the goods and/or services occurs in remote locations and the actual disbursements for such goods and/or services occur in remote locations at each school site. The need for solid controls in both areas is important to prevent the misappropriation of district assets and to protect the integrity of the district's financial information.

Condition: Our control testing of student activity fund receipts/deposits/revenues revealed two (2) instances where deposits of revenue received by the school bookkeepers from teachers were not made on a timely basis. Our test sample included twenty-seven (27) such receipts chosen using a non-statistical approach. A timely deposit is considered a deposit made the same day as the receipt warrant is written but no later than the business day subsequent to the day the receipt warrant is written.

Many receipts in the area of student activity funds are made up of cash and coin deposits and received from students by teachers, who prepare a receipt for each student. The teachers are then instructed to transfer the daily receipts to the school bookkeepers. A delay between receipting the money and making a bank deposit provides opportunity for the receipt to be misappropriated or converted to personal use. Such delays in making deposits constitute a control deficiency. We examined the receipt copies for teachers/club sponsors at three (3) school sites and noted twenty-nine (29) instances where teachers held monies for more than two days before remitting the monies to school bookkeepers for deposit. Our control testing further revealed six (6) instances where athletic event gate reconciliation forms were not completed correctly or were not computed accurately.

Our control testing of fifteen (15) student activity fund expenditures revealed four (4) instances where no receiving documentation existed to document the actual receipt of goods and/or services prior to payment for the goods and/or services being made and one (1) instance where an invoice was not available to substantiate the purchase made. The sample was chosen using a non-statistical approach.

Effect: Controls surrounding student activity fund transactions are not functioning to bring control risk to a low level in order to prevent asset misappropriation and financial statement errors.

Questioned Costs: None

Cause: The cause is likely a deviation from district procedures designed to safeguard assets and financial information in the area of student activity fund transactions.

Recommendation: We recommend that the district continue to review its controls surrounding student activity fund transactions, including control procedures, and refine and reinforce the procedures through training and transaction review.

Section III: Federal Award Findings and Questioned Costs

The results of our tests disclosed no findings related to the federal awards.

Prentiss County School District

PRENTISS COUNTY

Repeat Finding 2018-001. Control deficiencies surrounding student activity fund receipts/ deposits/ revenues and activity fund expenditure control cycles.

Corrective Action Planned: Prentiss County School District will provide professional development to local school administrators and secretaries regarding receipting, deposits and revenues for activity funds. The district will instruct the schools to develop and adhere to a schedule to ensure teachers are receipting and giving the school secretary money daily.

Who is Responsible for the Corrective Action: Superintendent, Business Administrator, Principals

When the Corrective Action will Start: February 08, 2019

P.O. Box 179 - 105 North College • BOONEVILLE, MISSISSIPPI 38829
Phone (662) 728-4911 • Fax (662) 728-2000

(This page left blank intentionally

Prentiss County School District

PRENTISS COUNTY

FOLLOW UP ON PRIOR YEAR FINDINGS

Finding 2017-001, Control deficiencies surrounding student activity fund receipts/deposits/revenues and activity fund expenditures. Repeat Finding at 2018-001.

(This page left blank intentionally)