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STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2018

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

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AUDITING AND ACCOUNTING SERVICES
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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Starkville Oktibbeha Consolidated School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Starkville Oktibbeha Consolidated School District, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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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, 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

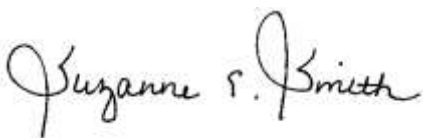
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Starkville Oktibbeha Consolidated School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2019, on our consideration of the Starkville Oktibbeha Consolidated School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Starkville Oktibbeha Consolidated School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Starkville Oktibbeha Consolidated School District's internal control over financial reporting and compliance.



Suzanne E. Smith, CPA, PLLC
Brandon, Mississippi
January 11, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

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STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

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

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

FINANCIAL HIGHLIGHTS

- Total net position for 2018 increased \$3,847,919, including a prior period adjustment of (\$4,862,789), which represents a 12% increase from fiscal year 2017. Total net position for 2017 increased \$6,263,229, including a prior period adjustment of \$37,233, which represents a 16% increase from fiscal year 2016.
- General revenues amounted to \$48,393,942 and \$47,551,020, or 74% and 74% 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 \$17,108,683, or 26% of total revenues for 2018, and \$16,369,064, or 26% of total revenues for 2017.
- The District had \$56,791,917 and \$57,694,088 in expenses for fiscal years 2018 and 2017; only \$17,108,683 for 2018 and \$16,369,064 for 2017 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$48,393,942 for 2018 and \$47,551,020 for 2017 were adequate to provide for these programs.
- Among major funds, the General Fund had \$44,226,375 in revenues and \$41,649,585 in expenditures for 2018, and \$43,349,113 in revenues and \$39,693,761 in expenditures in 2017. The General Fund's fund balance increased by \$2,694,533, including a prior period adjustment of \$2,264 from 2017 to 2018, and increased by \$3,818,737, including a prior period adjustment of \$2,216, from 2016 to 2017.
- Capital assets, net of accumulated depreciation, increased by \$2,997,237 for 2018 and increased by \$693,548, including a prior period adjustment of \$37,333, for 2017. The increase for 2018 was due to the increase in additions to construction in progress.
- Long-term debt, including compensated absences payable, decreased by \$3,428,190 for 2018 and increased by \$13,274,348 for 2017. This decrease for 2018 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$11,932 for 2018 and increased by \$8,180 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

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

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

time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

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

Capital assets used in governmental activities are not reported on governmental funds financial statements. Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

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

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

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

Notes to the financial statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of District Contributions (PERS), Schedule of the District's Proportionate Share of the Net OPEB Liability, and Schedule of District Contributions (OPEB) as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund 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 \$29,055,630 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.

STARKVILLE OKTIBBEHA CONSOLIDATED 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	\$ 25,476,749	\$ 22,615,156	12.65 %
Restricted assets	21,187,259	19,767,637	7.18 %
Capital assets, net	42,684,430	39,687,193	7.55 %
Total assets	89,348,438	82,069,986	8.87 %
Deferred outflows of resources	10,658,302	15,843,296	-32.73 %
Current liabilities	4,693,834	4,213,078	11.41 %
Long-term debt outstanding	40,470,519	43,921,890	-7.86 %
Net pension liability	69,868,125	78,737,887	-11.26 %
Net OPEB liability	4,758,760	-	N/A %
Total liabilities	119,791,238	126,872,855	-5.58 %
Deferred inflows of resources	9,271,132	3,943,976	135.07 %
Net position:			
Net investment in capital assets	20,063,037	13,178,649	52.24 %
Restricted	12,428,791	12,369,627	0.48 %
Unrestricted	(61,547,458)	(58,451,825)	-5.30 %
Total net position	\$ (29,055,630)	\$ (32,903,549)	11.69 %

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)	\$ (61,547,458)
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	73,239,715
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 11,692,257</u>

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

- Increase in net capital assets in the amount of \$2,997,237.
- The principal retirement of \$3,416,258 of long-term debt.
- Implementation of GASB 75 which resulted in the recognition of a net OPEB liability in the amount of \$4,758,760.

STARKVILLE OKTIBBEHA CONSOLIDATED 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 \$65,502,625 and \$63,920,084, respectively. The total cost of all programs and services was \$56,791,917 for 2018 and \$57,694,088 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	\$ 1,935,536	\$ 1,844,508	4.94 %
Operating grants and contributions	9,974,982	9,405,883	6.05 %
Capital Grants and Contributions	5,198,165	5,118,673	1.55 %
General revenues:			
Property taxes	23,919,591	23,373,873	2.33 %
Grants and contributions not restricted	23,604,284	23,629,947	(0.11) %
Investment earnings	101,944	14,902	584.10 %
Sixteenth section sources	237,004	276,080	(14.15) %
Other	531,119	256,218	107.29 %
Total revenues	65,502,625	63,920,084	2.48 %
Expenses:			
Instruction	24,981,194	24,403,931	2.37 %
Support services	19,594,120	19,900,282	(1.54) %
Non-instructional	4,542,044	4,048,674	12.19 %
Sixteenth section	63,065	61,002	3.38 %
Pension expense	6,267,071	8,395,645	(25.35) %
OPEB expense	236,277	-	N/A %
Interest on long-term liabilities	1,108,146	884,554	25.28 %
Total expenses	56,791,917	57,694,088	(1.56) %
Increase (Decrease) in net position	8,710,708	6,225,996	39.91 %
Net Position, July 1, as previously reported	(32,903,549)	(39,166,778)	15.99 %
Prior Period Adjustment	(4,862,789)	37,233	(13,160.43) %
Net Position, July 1, as restated	(37,766,338)	(39,129,545)	3.48 %
Net Position, June 30	\$ (29,055,630)	\$ (32,903,549)	11.69 %

Governmental activities

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

STARKVILLE OKTIBBEHA CONSOLIDATED 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	\$ 24,981,194	\$ 24,403,931	2.37 %
Support services	19,594,120	19,900,282	(1.54) %
Non-instructional	4,542,044	4,048,674	12.19 %
Sixteenth section	63,065	61,002	3.38 %
Pension Expense	6,267,071	8,395,645	(25.35) %
OPEB Expense	236,277	-	N/A %
Interest on long-term liabilities	1,108,146	884,554	25.28 %
Total expenses	\$ 56,791,917	\$ 57,694,088	(1.56) %

	Net (Expense) Revenue		Percentage Change
	2018	2017	
Instruction	\$ (20,305,448)	\$ (19,917,988)	(1.95) %
Support services	(11,781,808)	(12,232,101)	3.68 %
Non-instructional	63,783	151,879	(58.00) %
Sixteenth section	(53,915)	(57,736)	6.62 %
Pension Expense	(6,267,071)	(8,395,645)	25.35 %
OPEB Expense	(236,277)	-	N/A %
Interest on long-term liabilities	(1,102,498)	(873,433)	(26.23) %
Total net (expense) revenue	\$ (39,683,234)	\$ (41,325,024)	3.97 %

- Net cost of governmental activities [(\$39,683,234) for 2018 and (\$41,325,024) for 2017] was financed by general revenue, which is primarily made up of property taxes (\$23,919,591 for 2018 and \$23,373,873 for 2017) and state and federal revenues (\$23,604,284 for 2018 and \$23,629,947 for 2017). In addition, there was \$237,004 and \$276,080 in Sixteenth Section sources for 2018 and 2017, respectively.
- Investment earnings amounted to \$101,944 for 2018 and \$14,902 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 \$42,365,444, an increase of \$3,792,706, which includes a prior period adjustment of \$9,399 and an increase in inventory of \$684. \$11,026,689 or 26% 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 \$31,338,755 or 74% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

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

Fund for the fiscal year was \$2,694,533, which includes a prior period adjustment of \$2,264. The fund balance of Other Governmental Funds showed a decrease in the amount of \$468,004, which includes a prior period adjustment of \$7,135 and an increase in reserve for inventory of \$684. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
2017 Construction Fund	\$ 31,981
Partnership School Construction Fund	1,534,196

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 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 \$67,462,861, including land, school buildings, building improvements, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$4,357,766 from 2017. Total accumulated depreciation as of June 30, 2018, was \$24,778,431, and total depreciation expense for the year was \$1,650,338, resulting in total net capital assets of \$42,684,430.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
Land	\$ 193,920	\$ 198,920	(2.51) %
Construction in progress	4,368,433	1,171,716	272.82 %
Buildings	28,180,948	29,024,795	(2.91) %
Building improvements	4,638,888	4,218,935	9.95 %
Improvements other than buildings	2,611,441	2,443,075	6.89 %
Mobile equipment	1,957,869	1,838,476	6.49 %
Furniture and equipment	369,941	357,266	3.55 %
Leased property under capital lease	362,990	434,010	(16.36) %
Total	\$ 42,684,430	\$ 39,687,193	7.55 %

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

Debt Administration. At June 30, 2018, the District had \$40,251,922 in outstanding long-term debt, of which \$2,968,736 is due within one year. The liability for compensated absences decreased \$11,932 from the prior year.

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

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

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 28,810,000	\$ 30,755,000	(6.32) %
Limited obligation bonds payable	-	595,000	(100.00) %
Three mill notes payable	5,030,000	5,790,000	(13.13) %
Obligations under capital lease	178,947	295,205	(39.38) %
Qualified school construction bonds payable	5,780,000	5,780,000	0.00 %
Compensated absences payable	452,975	464,907	(2.57) %
Total	<u>\$ 40,251,922</u>	<u>\$ 43,680,112</u>	(7.85) %

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

CURRENT ISSUES

The Starkville Oktibbeha Consolidated School District is financially stable. The District is proud of its community support of the public schools. The district has committed itself to financial excellence for many years. The District 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 Starkville Oktibbeha Consolidated School District, 401 Greensboro Street, Starkville, Mississippi 39759.

FINANCIAL STATEMENTS

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STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Statement of Net Position
June 30, 2018

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 23,579,132
Cash with fiscal agents	51,146
Due from other governments	1,757,696
Other receivables, net	14,705
Inventories	74,070
Restricted assets	21,187,259
Capital assets, net of accumulated depreciation	42,684,430
Total Assets	89,348,438
Deferred Outflows of Resources	
Deferred outflows - pensions	10,454,993
Deferred outflows - OPEB	203,309
Total deferred outflows of resources	10,658,302
Liabilities	
Accounts payable and accrued liabilities	4,298,564
Interest payable on long-term liabilities	395,270
Long-term liabilities, due within one year:	
Capital related liabilities	2,968,736
Net OPEB liability	202,873
Long-term liabilities, due beyond one year:	
Capital related liabilities	36,830,211
Non-capital related liabilities	452,975
Unamortized bond premium	218,597
Net Pension liability	69,868,125
Net OPEB liability	4,555,887
Total Liabilities	119,791,238
Deferred Inflows of Resources	
Deferred inflows - pensions	9,028,818
Deferred inflows - OPEB	242,314
Total deferred inflows of resources	9,271,132
Net Position	
Net investment in capital assets	20,063,037
Restricted for:	
Expendable:	
School-based activities	2,627,008
Debt service	2,598,293
Capital improvements	5,515,622
Forestry improvements	164,983
Unemployment benefits	65,820
Non-expendable:	
Sixteenth section	1,457,065
Unrestricted	(61,547,458)
Total Net Position	\$ (29,055,630)

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

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STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2018

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and
		Services	Grants and	Grants and	Changes in
			Contributions	Contributions	Net Position
					Governmental
					Activities
Governmental Activities:					
Instruction	\$ 24,981,194	1,417,204	3,186,883	71,659	(20,305,448)
Support services	19,594,120	21,800	2,790,512	5,000,000	(11,781,808)
Non-instructional	4,542,044	487,382	3,991,939	126,506	63,783
Sixteenth section	63,065	9,150			(53,915)
Pension expense	6,267,071				(6,267,071)
OPEB expense	236,277				(236,277)
Interest on long-term liabilities	1,108,146		5,648		(1,102,498)
Total Governmental Activities	<u>\$ 56,791,917</u>	<u>1,935,536</u>	<u>9,974,982</u>	<u>5,198,165</u>	<u>\$ (39,683,234)</u>
General Revenues:					
Taxes:					
General purpose levies					20,138,390
Debt purpose levies					3,781,201
Unrestricted grants and contributions:					
State					23,383,728
Federal					220,556
Unrestricted investment earnings					101,944
Sixteenth section sources					237,004
Other					531,119
Total General Revenues					<u>48,393,942</u>
Change in Net Position					<u>8,710,708</u>
Net Position - Beginning, as previously reported					(32,903,549)
Prior Period Adjustments					<u>(4,862,789)</u>
Net Position - Beginning, as restated					<u>(37,766,338)</u>
Net Position - Ending					<u><u>\$ (29,055,630)</u></u>

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

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STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Governmental Funds

Balance Sheet

Exhibit C

June 30, 2018

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	2017 Construction Fund	Partner School Construction Fund		
Assets					
Cash and cash equivalents	\$ 13,618,246	16,006,323	6,969,566	6,076,041	42,670,176
Cash with fiscal agents	5,000			46,146	51,146
Investments				2,096,215	2,096,215
Due from other governments	549,804			1,207,892	1,757,696
Other receivables	12,621			2,084	14,705
Due from other funds	573,238				573,238
Advances to other funds				339,826	339,826
Inventories				74,070	74,070
Total assets	14,758,909	16,006,323	6,969,566	9,842,274	47,577,072
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	2,939,981		579,738	778,845	4,298,564
Due to other funds				573,238	573,238
Advances from other Funds	339,826				339,826
Total Liabilities	3,279,807	0	579,738	1,352,083	5,211,628
Fund Balances:					
Nonspendable:					
Inventory				74,070	74,070
Permanent fund principal				1,457,065	1,457,065
Restricted:					
Debt service				2,993,563	2,993,563
Capital improvement		16,006,323	6,389,828	303,351	22,699,502
Grant activities	41,708			2,511,230	2,552,938
Forestry improvements				164,983	164,983
Unemployment benefits				65,820	65,820
Assigned:					
Student activities	410,705				410,705
Debt service				46,146	46,146
Capital improvement				212,271	212,271
Community services activities				595,872	595,872
Unemployment benefits				65,820	65,820
Unassigned	11,026,689				11,026,689
Total Fund Balances	11,479,102	16,006,323	6,389,828	8,490,191	42,365,444
Total Liabilities and Fund Balances	\$ 14,758,909	16,006,323	6,969,566	9,842,274	47,577,072

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

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STARKVILLE OKTIBBEHA CONSOLIDATED 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 \$ 42,365,444

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	\$ 193,920	
Construction in progress	4,368,433	
Buildings	45,133,289	
Building improvements	5,909,306	
Improvements other than buildings	4,476,979	
Mobile equipment	4,798,477	
Furniture and equipment	1,793,348	
Leased property under capital lease	789,109	
Accumulated depreciation	<u>(24,778,431)</u>	42,684,430

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 (69,868,125)

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	10,454,993	
Deferred inflows of resources related to pensions	<u>(9,028,818)</u>	(68,441,950)

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 (4,758,760)

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	203,309	
Deferred inflows of resources related to OPEB	<u>(242,314)</u>	(4,797,765)

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:

General obligation bonds	(28,810,000)	
Three mill notes payable	(5,030,000)	
Capital leases payable	(178,947)	
Qualified school construction bonds payable	(5,780,000)	
Unamortized bond premium	(218,597)	
Compensated absences payable	(452,975)	
Accrued interest payable	<u>(395,270)</u>	(40,865,789)

Net Position of governmental activities \$ (29,055,630)

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

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STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Exhibit D

For the Year Ended June 30, 2018

	Major Funds			Other	Total
	General	2017 Construction	Partner School	Governmental	Governmental
	Fund	Fund	Construction Fund	Funds	Funds
Revenues:					
Local sources	\$ 20,532,195	31,981	9,430	5,880,730	26,454,336
Intermediate sources				129	129
State sources	23,172,787		5,000,000	2,218,686	30,391,473
Federal sources	295,510			8,090,319	8,385,829
Sixteenth section sources	225,883			44,975	270,858
Total Revenues	44,226,375	31,981	5,009,430	16,234,839	65,502,625
Expenditures:					
Instruction	24,147,533			3,876,374	28,023,907
Support services	17,420,787			2,781,475	20,202,262
Noninstructional services	1,000			4,811,681	4,812,681
Sixteenth section	60,265			2,800	63,065
Facilities acquisition and construction			3,475,234	722,277	4,197,511
Debt service:					
Principal				3,416,258	3,416,258
Interest	20,000			1,119,080	1,139,080
Other				32,329	32,329
Total Expenditures	41,649,585	0	3,475,234	16,762,274	61,887,093
Excess (Deficiency) of Revenues over (under) Expenditures	2,576,790	31,981	1,534,196	(527,435)	3,615,532
Other Financing Sources (Uses):					
Insurance loss recoveries	167,091				167,091
Payments held by escrow agents				339,245	339,245
Operating transfers in	446,158			497,770	943,928
Payments to escrow agents				(339,245)	(339,245)
Operating transfers out	(497,770)			(446,158)	(943,928)
Total Other Financing Sources (Uses)	115,479	0	0	51,612	167,091
Net Change in Fund Balances	2,692,269	31,981	1,534,196	(475,823)	3,782,623
Fund Balances:					
July 1, 2017, as previously reported	8,784,569	15,974,342	4,855,632	8,958,195	38,572,738
Prior period adjustments	2,264			7,135	9,399
July 1, 2017, as restated	8,786,833	15,974,342	4,855,632	8,965,330	38,582,137
Increase (Decrease) in reserve for inventory				684	684
June 30, 2018	\$ 11,479,102	16,006,323	6,389,828	8,490,191	42,365,444

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

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STARKVILLE OKTIBBEHA CONSOLIDATED 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 \$ 3,782,623

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	\$ 4,795,029	
Depreciation expense	<u>(1,650,338)</u>	3,144,691

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>(39,627)</u>	(39,627)
--	-----------------	----------

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	3,416,258	
Amortization of bond premium	23,181	
Accrued interest payable	<u>7,753</u>	3,447,192

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 include:

Pension expense	(6,267,071)	
Contributions subsequent to the measurement date	<u>4,663,688</u>	(1,603,383)

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 include:

OPEB expense	(236,277)	
Contributions subsequent to the measurement date	<u>202,873</u>	(33,404)

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	11,932	
Change in inventory reserve	<u>684</u>	12,616

Change in Net Position of governmental activities \$ 8,710,708

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

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STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT**Fiduciary Funds****Statement of Fiduciary Assets and Liabilities
June 30, 2018****Exhibit E**

	Agency Funds
Assets	
Cash and cash equivalents	\$ 118,163
Total Assets	<u>118,163</u>
Liabilities	
Due to student clubs	118,163
Total Liabilities	<u>\$ 118,163</u>

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

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STARKVILLE OKTIBBEHA CONSOLIDATED 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 an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Starkville, Mississippi, since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

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

B. Government-wide and Fund Financial Statements

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

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

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

STARKVILLE OKTIBBEHA CONSOLIDATED 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.

2017 Construction Fund – This is a capital projects fund that accounts for the proceeds of the 2017 general obligation bond issue and related facilities acquisition and construction costs.

Partner School Construction Fund – This capital projects fund is used to account for the proceeds of state revenues and other revenues and related expenditures associated with the construction of a new demonstration school on the campus of Mississippi State University. The construction of the new school is possible through a partnership between the school district, the state of Mississippi, and Mississippi State University.

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.

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.

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

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

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

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

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

Ad valorem property taxes are levied by the governing authority of the 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

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.

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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 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.

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

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

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 5 for details.

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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 8 for further details on Pensions and Note 9 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 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.

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

11. Postemployment Benefits Other than Pensions (OPEB)

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

12. Fund Balances

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. 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 district's Business Manager pursuant to authorization established by school board policy.

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

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

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.

Minimum unassigned fund balance – The District will maintain a minimum unassigned fund balance in its General Fund of eight percent (8%) of District Maintenance Fund revenues. This minimum fund balance is to protect against cash flow shortfalls related to timing of projected revenue receipts and to maintain a budget stabilization commitment.

Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments

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

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of 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 \$42,670,176 and \$118,163, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution,

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

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

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.

Cash with Fiscal Agents

The carrying amount of the school district's cash with fiscal agents held by financial institutions at June 30, 2018, was \$51,146.

Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
QSCB Construction Bond Common Trust Funds	Unrated	Less than 1 year	\$ 2,096,215
Total			<u>\$ 2,096,215</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:

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	\$ 573,238
Total		<u>\$ 573,238</u>

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.

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
16th Section Principal Fund	General Fund	\$ 339,826
Total		<u>\$ 339,826</u>

The interfund-balances represent a loan from the 16th Section Principal Fund to the General Fund. The purpose of the loan was to purchase school buses and to make needed facility improvements.

Sixteenth section principal loans payable

Note: The sixteenth section principal loans payable are not reflected on the Statement of Net Position because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions are reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances. The interest rate on the sixteenth section principal loans payable as of June 30, 2018, is four (4) percent.

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

Year Ending June 30	Principal	Interest	Total
2019	\$ 166,581	13,593	180,174
2020	173,245	6,930	180,175
Total	<u>\$ 339,826</u>	<u>20,523</u>	<u>360,349</u>

C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 497,770
Other governmental funds	General Fund	446,158
Total		<u>\$ 943,928</u>

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

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

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

Note 4 – Restricted Assets

The restricted assets represent the cash balance, totaling \$1,115,155, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

In addition, the restricted assets represent the investments balance, totaling \$2,096,215, of the QSCB 2013 Limited Tax Note Retirement Fund (debt service fund).

Restricted assets also include \$17,975,889 in unexpended proceeds of bonds restricted for capital improvements at June 30, 2018.

Restricted assets shown on the Statement of Net Position total \$21,187,259.

Note 5 – Capital Assets

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

	Balance 7/1/2017	Increases	Decreases	Completed Construction	Adjustments	Balance 6/30/2018
Governmental Activities:						
<u>Non-depreciable capital assets:</u>						
Land	\$ 198,920				(5,000)	193,920
Construction in progress	1,171,716	4,197,511		(982,384)	(18,410)	4,368,433
Total non-depreciable capital assets	1,370,636	4,197,511	-	(982,384)	(23,410)	4,562,353
<u>Depreciable capital assets:</u>						
Buildings	45,351,559				(218,270)	45,133,289
Building improvements	5,264,295			645,011		5,909,306
Improvements other than buildings	4,139,606			337,373		4,476,979
Mobile equipment	4,414,987	466,640	83,150			4,798,477
Furniture and equipment	1,774,903	130,878	97,493		(14,940)	1,793,348
Leased property under capital lease	789,109					789,109
Total depreciable capital assets	61,734,459	597,518	180,643	982,384	(233,210)	62,900,508
<u>Less accumulated depreciation for:</u>						
Buildings	16,326,764	800,193			(174,616)	16,952,341
Building improvements	1,045,360	225,058				1,270,418
Improvements other than buildings	1,696,531	169,007				1,865,538
Mobile equipment	2,576,511	283,582	47,421		27,936	2,840,608
Furniture and equipment	1,417,637	101,478	93,595		(2,113)	1,423,407
Leased property under capital lease	355,099	71,020				426,119
Total accumulated depreciation	23,417,902	1,650,338	141,016	-	(148,793)	24,778,431
Total depreciable capital assets, net	38,316,557	(1,052,820)	39,627	982,384	(84,417)	38,122,077
Governmental activities capital assets, net	\$ 39,687,193	3,144,691	39,627	-	(107,827)	42,684,430

Depreciation expense was charged to the following governmental functions:

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

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

	Amount
Governmental activities:	
Instruction	\$ 21,517
Support services	1,569,197
Non-instructional	59,624
Total depreciation expense - Governmental activities	<u>\$ 1,650,338</u>

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

	Spent to June 30, 2018	Remaining Commitment
Governmental Activities:		
Partnership School	\$ 4,368,433	\$ 27,032,996
Total governmental activities	<u>4,368,433</u>	<u>27,032,996</u>

The Partnership School will be completed using the proceeds of general obligation bonds issued during the 2016-2017 year and through future funding commitments from the State of Mississippi and Mississippi State University.

Note 6 – Long-term Liabilities

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

	Balance 7/1/2017	Additions	Reductions	Balance 6/30/2018	Amounts due within one year
A. General obligation bonds payable	\$ 28,540,000		1,575,000	26,965,000	1,700,000
General obligation refunding bonds payable	2,215,000		370,000	1,845,000	360,000
	<u>30,755,000</u>	-	<u>1,945,000</u>	<u>28,810,000</u>	<u>2,060,000</u>
B. Limited obligation bonds payable	595,000		595,000		
C. Three mill notes payable	5,790,000		760,000	5,030,000	790,000
D. Obligations under capital lease	295,205		116,258	178,947	118,736
E. Qualified school construction bonds payable	5,780,000		-	5,780,000	
F. Compensated absences payable	464,907		11,932	452,975	
Subtotal	<u>\$ 43,680,112</u>	-	<u>3,428,190</u>	<u>40,251,922</u>	<u>2,968,736</u>
Premium on general obligation bonds payable	238,469		19,872	218,597	
Premium on limited obligation bonds payable	3,309		3,309	-	
Total	<u>\$ 43,921,890</u>	-	<u>3,451,371</u>	<u>40,470,519</u>	

A. General obligation bonds payable

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

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. GOB, Series 2008	5.00%	15-Oct-08	1-Sep-23	\$ 9,925,000	5,425,000
2. GOB, Series 2009	3.75%	22-Oct-09	1-Sep-24	8,575,000	6,040,000
3. GOB, Series 2016	3.00%	7-Mar-17	1-Mar-30	16,000,000	15,500,000
4. GOB, Refunding Series 2017	2.21%	24-May-17	1-Mar-24	2,215,000	1,845,000
				<u>\$ 36,715,000</u>	<u>28,810,000</u>

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

1. General obligation bond issue of October 15, 2008.

Year Ending June 30	Principal	Interest	Total
2019	\$ 675,000	178,063	853,063
2020	625,000	155,312	780,312
2021	650,000	133,000	783,000
2022	1,125,000	101,938	1,226,938
2023	1,150,000	62,125	1,212,125
2024	1,200,000	21,000	1,221,000
Total	<u>\$ 5,425,000</u>	<u>651,438</u>	<u>6,076,438</u>

This debt will be retired from the Bond Issue Debt Retirement Fund (debt service fund).

2. General obligation bond issue October 22, 2009.

Year Ending June 30	Principal	Interest	Total
2019	\$ 425,000	197,400	622,400
2020	425,000	184,650	609,650
2021	575,000	169,291	744,291
2022	975,000	143,853	1,118,853
2023	1,075,000	108,588	1,183,588
2024-2025	2,565,000	92,662	2,657,662
Total	<u>\$ 6,040,000</u>	<u>896,444</u>	<u>6,936,444</u>

This debt will be retired from the Bond Issue Debt Retirement Fund (debt service fund).

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

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

3. General obligation bond issue of March 7, 2017.

Year Ending June 30		Principal	Interest	Total
2019	\$	600,000	465,000	1,065,000
2020		700,000	447,000	1,147,000
2021		660,000	426,000	1,086,000
2022		320,000	406,200	726,200
2023		640,000	396,600	1,036,600
2024-2028		8,115,000	1,531,200	9,646,200
2029-2030		4,465,000	197,400	4,662,400
Total	\$	15,500,000	3,869,400	19,369,400

This debt will be retired from the Bond Issue Debt Retirement Fund (debt service fund).

4. General obligation refunding bond issue of May 24, 2017.

Year Ending June 30		Principal	Interest	Total
2019	\$	360,000	41,341	401,341
2020		435,000	33,366	468,366
2021		435,000	23,527	458,527
2022		100,000	13,780	113,780
2023		255,000	11,540	266,540
2024		260,000	5,842	265,842
Total	\$	1,845,000	129,396	1,974,396

This debt will be retired from the Bond Issue Debt Retirement Fund (debt service fund).

Total general obligation bond payments for all issues:

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

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

Year Ending June 30	Principal	Interest	Total
2019	\$ 2,060,000	881,804	2,941,804
2020	2,185,000	820,328	3,005,328
2021	2,320,000	751,818	3,071,818
2022	2,520,000	665,771	3,185,771
2023	3,120,000	578,853	3,698,853
2024-2028	12,140,000	1,650,704	13,790,704
2029-2030	4,465,000	197,400	4,662,400
Total	<u>\$ 28,810,000</u>	<u>5,546,678</u>	<u>34,356,678</u>

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

B. Limited obligation bonds payable

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

C. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Three mill note Series 2014	2.49%	12-Mar-14	1-Mar-29	\$ 5,200,000	\$ 2,965,000
2. Limited tax note Series 2014	1.46-3.63%	26-Aug-14	26-Aug-29	2,500,000	2,065,000
				<u>\$ 7,700,000</u>	<u>\$ 5,030,000</u>

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

1. Three mill note Series 2014 issued March 12, 2014.

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

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

Year Ending June 30	Principal	Interest	Total
2019	\$ 635,000	73,829	708,829
2020	585,000	58,017	643,017
2021	355,000	43,451	398,451
2022	275,000	34,611	309,611
2023	200,000	27,764	227,764
2024-2028	540,000	77,564	617,564
2029	375,000	9,337	384,337
Total	\$ 2,965,000	324,573	3,289,573

This debt will be retired from the Limited Tax Note Debt Service Fund (debt service fund).

2. Limited tax note Series 2014 issued August 26, 2014.

Year Ending June 30	Principal	Interest	Total
2019	\$ 155,000	61,055	216,055
2020	160,000	57,598	217,598
2021	155,000	53,774	208,774
2022	160,000	49,884	209,884
2023	165,000	45,691	210,691
2024-2028	885,000	154,912	1,039,912
2029-2030	385,000	20,902	405,902
Total	\$ 2,065,000	443,816	2,508,816

This debt will be retired from the Oktibbeha County Limited Tax Fund (debt service fund).

Total three mill notes payable for all issues:

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

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

Year Ending June 30	Principal	Interest	Total
2019	\$ 790,000	134,884	924,884
2020	745,000	115,615	860,615
2021	510,000	97,225	607,225
2022	435,000	84,495	519,495
2023	365,000	73,455	438,455
2024-2028	1,425,000	232,476	1,657,476
2029-2030	760,000	30,239	790,239
Total	<u>\$ 5,030,000</u>	<u>768,389</u>	<u>5,798,389</u>

D. Obligations under capital lease

The school district has entered into a lease agreement as lessee for financing the acquisition of capital assets. The lease qualifies as a capital lease for accounting purposes. The details of the lease are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Buses Lease - 2012	2.12%	12-Aug-12	3-Dec-19	\$ <u>789,109</u>	\$ <u>178,947</u>

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

Bus Lease – 2012.

Year Ending June 30	Principal	Interest	Total
2019	\$ 118,736	3,170	121,906
2020	60,211	639	60,850
Total	<u>\$ 178,947</u>	<u>3,809</u>	<u>182,756</u>

This debt will be retired from the EEF Buildings and Buses Fund (special revenue fund).

E. Qualified school construction bonds payable

As more fully explained in note 14, debt has been issued by the school district that qualifies as Qualified School Construction Bonds. Debt currently outstanding is as follows:

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Qualified school construction bonds - 2009	0.79%	8-Oct-09	15-Sep-24	\$ 3,000,000	\$ 3,000,000
2. Qualified school construction bonds - 2014	0.00%	15-Jun-14	15-Jun-28	<u>2,780,000</u>	<u>2,780,000</u>
				<u>\$ 5,780,000</u>	<u>\$ 5,780,000</u>

The 2014 Series of the qualified school construction bonds are 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 escrow payments for these bonds are partially payable from such future revenues and are payable through June 15, 2028. The debt service requirements of the debt and the amount of such state revenues received during the year ended June 30, 2018, were \$125,000 and \$168,777.

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

1. QSCB Issuance of October 8, 2009.

Year Ending June 30	Principal	Interest	Total
2019	\$ -	23,700	23,700
2020	-	23,700	23,700
2021	-	23,700	23,700
2022	-	23,700	23,700
2023	-	23,700	23,700
2024-2028	<u>3,000,000</u>	<u>47,400</u>	<u>3,047,400</u>
Total	<u>\$ 3,000,000</u>	<u>165,900</u>	<u>3,165,900</u>

2. QSCB Issuance of June 15, 2014.

Year Ending June 30	Principal	Interest	Total
2019	\$ -	-	-
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024-2028	<u>2,780,000</u>	<u>-</u>	<u>2,780,000</u>
Total	<u>\$ 2,780,000</u>	<u>-</u>	<u>2,780,000</u>

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

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

Total qualified school construction bonds all issues.

Year Ending June 30	Principal	Interest	Total
2019	\$ -	23,700	23,700
2020	-	23,700	23,700
2021	-	23,700	23,700
2022	-	23,700	23,700
2023	-	23,700	23,700
2024-2028	5,780,000	47,400	5,827,400
Total	\$ 5,780,000	165,900	5,945,900

F. Compensated absences payable

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

Note 7 – Other Commitments

Commitments under construction contracts are described in Note 5.

Operating leases:

The school district has an operating lease for 235 printers/copiers. This is a 48 month lease that includes service on the machines. The monthly rental is \$18,350 per month.

Lease expenditures for the year ended June 30, 2018, amounted to \$220,200. Future lease payments for this lease are as follows:

Year Ending June 30	Amount
2019	\$ 220,200
2020	220,200
2021	55,050
Total	\$ 495,450

Note 8 – Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

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

financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2018 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are 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 \$4,663,688, \$4,246,433 and \$4,441,235, 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 \$69,868,125 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 0.4203 percent, which was based on a measurement date of June 30, 2017. This was a decrease of 0.0205 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 \$6,267,071. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,071,993	\$ 509,808
Net difference between projected and actual earnings on pension plan investments		682,726
Changes of assumptions	4,719,312	124,861
Changes in proportion and differences between District contributions and proportionate share of contributions		7,711,423

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

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

District contributions subsequent to the
measurement date

Total	\$	<u>4,663,688</u>	\$	<u>10,454,993</u>	\$	<u>9,028,818</u>
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\$4,663,688 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:

2019	\$	(1,137,887)
2020	(474,017)
2021	(276,011)
2022	(1,349,598)	

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>		

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 91,636,710	\$ 69,868,125	\$ 51,795,469

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

Note 9– Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

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

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

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

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$202,873 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$4,758,760 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 0.60651350 percent. This was an increase of 0.00006266 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 \$236,777. 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
Differences between expected and actual experience	\$	\$
Changes of assumptions		242,314
Net difference between projected and actual earnings on OPEB plan investments		
Changes in proportion and differences between District contributions and proportionate share of contributions	436	
District contributions subsequent to the measurement date	202,873	
Total	\$ <u>203,309</u>	\$ <u>242,314</u>

\$202,873 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:

2019	\$ (42,435)
2020	(42,435)
2021	(42,435)
2022	(42,435)
2023	(42,435)
Thereafter	(29,703)

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

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

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

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

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

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

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	\$ 4,884,435	\$ 4,758,760	\$ 4,665,168

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

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 4,395,033	\$ 4,758,760	\$ 5,173,991

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

Note 10 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2019	\$ 202,289
2020	187,753
2021	169,046
2022	134,603
2023	126,568
2024 – 2028	492,860
2029 – 2033	336,867
2034 – 2038	862,500
Total	<u>\$ 2,512,486</u>

Note 11 – Prior Period Adjustments

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

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Correct of a prior period error in recording an asset/liability	\$ 9,399
2. Adjustment to remove capital asset disposed of in prior period and other adjustments	(107,827)
3. Adjustment to reflect the implementation of GASB Statement No. 75	(4,764,361)
Total	<u>\$ (4,862,789)</u>

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

Fund	Explanation	Amount
General Fund	Correction of a prior period error in recording an asset/liability	\$ 2,264
Other governmental funds	Correction of a prior period error in recording an asset/liability	7,135
Total		<u>\$ 9,399</u>

Note 12 – Contingencies

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

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

Note 13 – 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.

Participation in Public Entity Risk Pool

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

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

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

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

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 14 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U. S. Treasury, which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB.

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2017 was \$2,096,215, which includes investments. The amount accumulated in the sinking fund at the end of the financing period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

<u>Year Ending</u>		<u>2009 Series</u>	<u>2014 Series</u>	<u>Total</u>
<u>June 30</u>				
2019	\$	214,286	125,000	339,286
2020		214,286	125,000	339,286
2021		214,286	125,000	339,286
2022		214,286	130,000	344,286
2023		214,286	200,000	414,286
2024-2028		428,572	1,500,000	1,928,572
	\$	<u>1,500,002</u>	<u>2,205,000</u>	<u>3,705,002</u>

Note 15 - Insurance loss recoveries

The Starkville Oktibbeha Consolidated School District received \$167,091 in insurance loss recoveries related to building damage caused to district buildings by a bat infestation and losses from damage to motor vehicles. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and allocated among the

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

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

expense functions based on the following percentages:

Insurance Loss		Percentage	Expense Function
Recoveries			
\$	167,091	100%	Support services
\$	167,091	100%	

Note 16 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$61,547,458) includes the effect of deferring the recognition of deferred outflows and deferred inflows related to pensions and OPEB. \$4,663,688 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 \$5,791,305 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. \$202,873 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 \$436 balance 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 (\$61,547,458) includes the effect of deferring the recognition of deferred inflows related to pensions and OPEB. The balance of \$9,028,818 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 \$242,314 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 17 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Starkville Oktibbeha Consolidated School District evaluated the activity of the district through January 11, 2019 and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

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STARKVILLE OKTIBBEHA CONSOLIDATED 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	\$ 19,932,995	20,532,195	20,532,195	599,200	0
State sources	23,448,728	23,550,179	23,172,787	101,451	(377,392)
Federal sources	318,000	295,510	295,510	(22,490)	0
Sixteenth section sources	153,100	231,983	225,883	78,883	(6,100)
Total Revenues	43,852,823	44,609,867	44,226,375	757,044	(383,492)
Expenditures:					
Instruction	24,974,962	24,147,533	24,147,533	827,429	0
Support services	16,595,996	17,420,787	17,420,787	(824,791)	0
Noninstructional services	1,100,000	1,000	1,000	1,099,000	0
Sixteenth section	29,350	60,265	60,265	(30,915)	0
Debt service:					
Principal	160,175	0	0	160,175	0
Interest	20,000	20,000	20,000	0	0
Total Expenditures	42,880,483	41,649,585	41,649,585	1,230,898	0
Excess (Deficiency) of Revenues over (under) Expenditures	972,340	2,960,282	2,576,790	1,987,942	(383,492)
Other Financing Sources (Uses):					
Insurance loss recoveries	0	167,091	167,091	167,091	0
Operating transfers in	5,739,451	5,507,506	446,158	(231,945)	(5,061,348)
Operating transfers out	(6,315,349)	(5,936,510)	(497,770)	378,839	5,438,740
Total Other Financing Sources (Uses)	(575,898)	(261,913)	115,479	313,985	377,392
Net Change in Fund Balances	396,442	2,698,369	2,692,269	2,301,927	(6,100)
Fund Balances:					
July 1, 2017, as previously reported	6,971,418	8,784,569	8,784,569	1,813,151	0
Prior period adjustments	0	2,264	2,264	2,264	0
July 1, 2017, as restated	6,971,418	8,786,833	8,786,833	1,815,415	0
June 30, 2018	\$ 7,367,860	11,485,202	11,479,102	4,117,342	(6,100)

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

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STARKVILLE OKTIBBEHA CONSOLIDATED 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	0.420300%	0.440800%	0.471377%	0.472930%
District's proportionate share of the net pension liability	\$ 69,868,125	78,737,887	72,865,588	57,465,005
District's covered payroll	\$ 26,961,479	28,198,317	29,448,990	28,898,476
District's proportionate share of the net pension liability as a percentage of its covered payroll	259.14%	279.23%	247.43%	198.85%
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.

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STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

PERS

Last 10 Fiscal Years

	2018	2017	2016	2015
Contractually required contribution	\$ 4,663,688	4,246,433	4,441,235	4,638,216
Contributions in relation to the contractually required contribution	4,663,688	4,246,433	4,441,235	4,638,216
Contribution deficiency (excess)	\$ -	-	-	-
District's covered payroll	29,610,717	26,961,479	28,198,317	29,448,990
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.

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STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Required Supplementary Information

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

OPEB

Last 10 Fiscal Years*

	<u>2018</u>
District's proportion of the net OPEB liability	% 0.60651350
District's proportionate share of the net OPEB liability	\$ 4,758,760
District's covered-employee payroll	\$ 26,961,479
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	17.65%
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.

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STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

OPEB

Last 10 Fiscal Years

	2018
Contractually required contribution	\$ 202,873
Contributions in relation to the contractually required contribution	202,873
Contribution deficiency (excess)	\$ 0
District's covered-employee payroll	\$ 29,610,717
Contributions as a percentage of covered-employee payroll	0.69%

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.

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STARKVILLE OKTIBBEHA CONSOLIDATED 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 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%.

STARKVILLE OKTIBBEHA CONSOLIDATED 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

STARKVILLE OKTIBBEHA CONSOLIDATED 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

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SUPPLEMENTARY INFORMATION

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STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

Supplementary Information

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2018

Federal Grantor/	Catalog of	Pass-thru Grantor No.	Federal
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	185MS326N1099	\$ 752,909
National school lunch program	10.555	185MS326N1099	2,142,893
National school lunch program - commodities	10.555	185MS326N1099	265,746
Summer feeding	10.559	185MS326N1099	41,721
Total child nutrition cluster			3,203,269
Total passed-through Mississippi Department of Education			3,203,269
Total U.S. Department of Agriculture			3,203,269
<u>U.S. Department of Defense</u>			
Direct Funding:			
Reserve officers' training corps	12.xxx	N/A	64,530
Total U.S. Department of Defense			64,530
<u>U.S. Department of the Interior</u>			
Direct Funding:			
National wildlife refuge fund	15.659	N/A	32,062
Total U.S. Department of the Interior			32,062
<u>U.S. Department of Education</u>			
Direct Funding:			
Innovative Approaches to Literacy	84.215G	N/A	744,748
Total direct funding			744,748
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	ES010A160024 ES010A170024	2,367,359
Twenty-first century community learning centers	84.287	ES287C160024 ES287C170024	297,274
Career and technical education - basic grants to states	84.048	VO48A170024	66,846
Education for homeless children and youth	84.196	ES196A170025	2,509
Rural education	84.358	ES358B160024	5,814
Supporting Effective Instruction State Grants	84.367	ES367A160023 ES367A170023	551,196
Student support and academic enrichment program grants	84.424	ES424A170025	25,068
Subtotal			3,316,066
Special education cluster:			
Special education - grants to states	84.027	H027A160108 H027A170108	1,220,464
Special education - preschool grants	84.173	H173A160113 H173A170113	36,613
Total special education cluster			1,257,077
Total passed-through Mississippi Department of Education			4,573,143
Total U.S. Department of Education			5,317,891
<u>U.S. Department of Health and Human Services</u>			
Direct Funding:			
Community-based child abuse prevention grants	93.590	N/A	81,063
Total direct funding			81,063
Passed-through Mississippi Department of Education:			
Medical assistance program	93.778	1705MS5ADM 1805MS5ADM	45,835
Total passed-through Mississippi Department of Education			45,835
Total U.S. Department of Health and Human Services			126,898
Total for All Federal Awards			\$ 8,744,650

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

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STARKILLE OKTIBBEHA CONSOLIDATED 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	\$ 40,351,379	28,737,450	1,639,990	2,481,680	7,492,259
Other	21,535,714	4,945,195	633,632	86,631	15,870,256
Total	<u>\$ 61,887,093</u>	<u>33,682,645</u>	<u>2,273,622</u>	<u>2,568,311</u>	<u>23,362,515</u>
Total number of students *	<u>4,588</u>				
Cost per student	<u>\$ 13,489</u>	<u>7,341</u>	<u>496</u>	<u>560</u>	<u>5,092</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

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STARKVILLE OKTIBBEHA CONSOLIDATED 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 Starkville Oktibbeha Consolidated 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 Starkville Oktibbeha Consolidated School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Starkville Oktibbeha Consolidated 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 Starkville Oktibbeha Consolidated School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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OTHER INFORMATION

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STARKVILLE OKTIBBEHA CONSOLIDATED 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	\$ 20,532,195	19,983,894	19,415,172	18,120,202
Intermediate sources			85	13,029
State sources	23,172,787	22,766,339	22,980,029	21,677,924
Federal sources	295,510	407,791	309,857	414,460
Sixteenth section sources	225,883	191,089	391,087	219,237
Total Revenues	44,226,375	43,349,113	43,096,230	40,444,852
Expenditures:				
Instruction	24,147,533	23,174,310	23,942,071	24,799,400
Support services	17,420,787	16,483,258	16,050,231	16,603,922
Noninstructional services	1,000			19,696
Facilities acquisition and construction				8,100
Sixteenth section	60,265	32,527	23,194	37,433
Debt Service:				
Principal			29,037	68,100
Interest	20,000	3,666	46,004	50,568
Other			149	
Total Expenditures	41,649,585	39,693,761	40,090,686	41,587,219
Excess (Deficiency) of Revenues over (under) Expenditures	2,576,790	3,655,352	3,005,544	(1,142,367)
Other Financing Sources (Uses):				
Insurance loss recoveries	167,091	24,545	12,610	177,312
Sale of transportation equipment		43,426		9,051
Sale of other property			5,000	
Operating transfers in	446,158	344,967	355,631	563,020
Operating transfers out	(497,770)	(251,769)	(220,181)	(346,239)
Total Other Financing Sources (Uses)	115,479	161,169	153,060	403,144
Net Change in Fund Balances	2,692,269	3,816,521	3,158,604	(739,223)
Fund Balances:				
Beginning of period, as previously reported	8,784,569	4,965,832	0	1,223,919
** Statutory Consolidation - Starkville School			869,476	
** Statutory Consolidation - Oktibbeha County			925,889	
Beginning of Period, at inception (for the 2016 year)			1,795,365	
Prior period adjustments	2,264	2,216	11,863	695,037
Fund reclassifications				615,632
Beginning of period, as restated	8,786,833	4,968,048	1,807,228	2,534,588
End of Period	\$ 11,479,102	8,784,569	4,965,832	1,795,365

*SOURCE - PRIOR YEAR AUDIT REPORTS

** As a result of the Regular Session Senate Bill 2392 passed by the Mississippi Legislature on July 1, 2013, the Oktibbeha County School District and Starkville School District were consolidated and formed Starkville Oktibbeha Consolidated School District. The prior year comparison amounts of 2015 represent prior year audit report numbers combined for both of the former school districts.

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STARKVILLE OKTIBBEHA CONSOLIDATED 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	\$ 26,454,336	25,452,704	24,741,937	23,701,835
Intermediate sources	129	594	10,718	82,092
State sources	30,391,473	29,936,996	24,922,629	23,351,432
Federal sources	8,385,829	8,216,913	9,230,863	8,797,961
Sixteenth section sources	270,858	284,332	450,769	256,378
Total Revenues	65,502,625	63,891,539	59,356,916	56,189,698
Expenditures:				
Instruction	28,023,907	27,037,213	28,421,751	28,964,068
Support services	20,202,262	20,056,346	19,756,827	19,280,033
Noninstructional services	4,812,681	4,300,518	4,338,035	4,540,985
Facilities acquisition and construction	4,197,511	1,750,051	82,700	5,200,850
Sixteenth section	63,065	61,002	56,834	60,553
Debt service:				
Principal	3,416,258	2,773,832	3,675,494	3,517,541
Interest	1,139,080	800,558	930,729	974,261
Other	32,329	131,863	14,580	12,923
Total Expenditures	61,887,093	56,911,383	57,276,950	62,551,214
Excess (Deficiency) of Revenues over (under) Expenditures	3,615,532	6,980,156	2,079,966	(6,361,516)
Other Financing Sources (Uses):				
Bonds and notes issued		18,215,000		2,500,000
Bond premium		258,341		
Insurance loss recoveries	167,091	24,545	12,610	177,312
Sale of transportation equipment		43,426		9,051
Sale of other property			5,000	
Payments held by escrow agents	339,245	339,284	339,286	314,285
Operating transfers in	943,928	596,736	856,729	4,847,571
Other financing sources		4,000		12,374
Payments to escrow agents	(339,245)	(2,514,284)	(339,286)	(314,285)
Operating transfers out	(943,928)	(596,736)	(856,729)	(4,847,571)
Total Other Financing Sources (Uses)	167,091	16,370,312	17,610	2,698,737
Net Change in Fund Balances	3,782,623	23,350,468	2,097,576	(3,662,779)
Fund Balances:				
Beginning of period, as previously reported	38,572,738	15,237,160	0	16,042,009
** Statutory Consolidation - Starkville School			9,941,797	
** Statutory Consolidation - Oktibbeha County			3,167,358	
Beginning of Period, at inception (for the 2016 year)			<u>13,109,155</u>	
Prior period adjustments	9,399	(100)	11,630	731,734
Beginning of period, as restated	<u>38,582,137</u>	<u>15,237,060</u>	<u>13,120,785</u>	<u>16,773,743</u>
Increase (Decrease) in inventory	684	(14,790)	18,799	(1,809)
End of Period	\$ 42,365,444	38,572,738	15,237,160	13,109,155

*SOURCE - PRIOR YEAR AUDIT REPORTS

** As a result of the Regular Session Senate Bill 2392 passed by the Mississippi Legislature on July 1, 2013, the Oktibbeha County School District and Starkville School District were consolidated and formed Starkville Oktibbeha Consolidated School District. The prior year comparison amounts of 2015 represent prior year audit report numbers combined for both of the former school districts.

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REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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SUZANNE E. SMITH, CPA, PLLC
AUDITING AND ACCOUNTING SERVICES
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**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
Starkville Oktibbeha Consolidated School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Starkville Oktibbeha Consolidated School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Starkville Oktibbeha Consolidated School District's basic financial statements, and have issued our report thereon dated January 11, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Starkville Oktibbeha Consolidated 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 Starkville Oktibbeha Consolidated School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Starkville Oktibbeha Consolidated School District's internal control.

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

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

Compliance and Other Matters

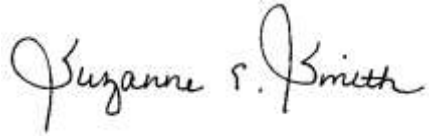
As part of obtaining reasonable assurance about whether Starkville Oktibbeha Consolidated School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with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

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

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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 date.

Suzanne E. Smith, CPA, PLLC
Brandon, Mississippi
January 11, 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
Starkville Oktibbeha Consolidated School District

Report on Compliance for Each Major Federal Program

We have audited Starkville Oktibbeha Consolidated School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the district's major federal programs for the year ended June 30, 2018. Starkville Oktibbeha Consolidated 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 Starkville Oktibbeha Consolidated School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations (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 Starkville Oktibbeha Consolidated 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 Starkville Oktibbeha Consolidated School District's compliance.

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item **2018-001**. Our opinion on each major federal program is not modified with respect to these matters. The Starkville Oktibbeha Consolidated School District's response to the auditor's finding identified in our audit is described in the Auditee's Corrective Action Plan. Starkville Oktibbeha Consolidated School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Starkville Oktibbeha Consolidated School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing

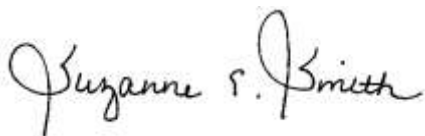
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our audit of compliance, we considered Starkville Oktibbeha Consolidated School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Starkville Oktibbeha Consolidated School District's internal control over compliance.

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

Our consideration of 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, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of Findings and Questioned Costs as item 2018-001 that we consider to be significant deficiencies. The Starkville Oktibbeha Consolidated School District's response to the auditor's finding identified in our audit is described in the Auditee's Corrective Action Plan. Starkville Oktibbeha Consolidated School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

A handwritten signature in cursive script that reads "Suzanne E. Smith".

Suzanne E. Smith, CPA, PLLC
Brandon, Mississippi
January 11, 2019

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

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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
Starkville Oktibbeha Consolidated School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Starkville Oktibbeha Consolidated School District as of and for the year ended June 30, 2018, which collectively comprise Starkville Oktibbeha Consolidated School District's basic financial statements and have issued our report thereon dated January 11, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

Finding SL2017-A: Section 25-11-127 MS Code Ann. (1972) sets forth requirements for reemployment of Mississippi Public Employees' Retirement System (PERS) Retirees. A PERS Form 4B must be filed within five days of employment with the PERS agency. Out of a population of fourteen (14) retirees reemployed by the district, we reviewed the files of three (3) employees. Form 4B was prepared on all three employees. However, one of the employee's compensation exceeded the allowable amount listed on Form 4B by \$2,106.22. The district has no liability associated with this violation since the district secured Form 4B.

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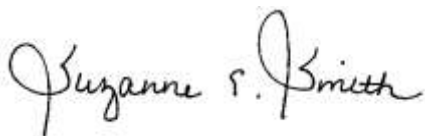
Recommendation: We recommend that the district continue the practice of securing a Form 4B on all PERS retirees who are reemployed. The district may further consider implementing controls that would notify both the district and the employee when the allowable compensation threshold is met for each retiree who is actively reemployed.

District Response: We will continue the practice of securing a Form 4B on all PERS retirees who are reemployed. We will begin the practice of having each PERS retiree sign a form, accepting responsibility for making sure that their earnings do not exceed the limits on their respective Forms 4B.

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

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

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

A handwritten signature in cursive script that reads "Suzanne E. Smith".

Suzanne E. Smith, CPA, PLLC
Brandon, Mississippi
January 11, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

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

Section I: Summary of Auditor's Results

Financial Statements:

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I grants to local educational agencies
84.215G	Innovative approaches to literacy
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) Yes

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

The results of our tests disclosed the following finding related to the federal awards:

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

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

Finding Considered to be Noncompliance not Material and a Significant Deficiency:

Finding 2018-001. Direct Funding: CFDA 84.215G Innovative Approaches to Literacy. Procurement and Suspension and Debarment.

CONDITION: Out of a population of fifteen (15) transactions tested, we noted four (4) instances when purchases were made for supplies and small equipment where the amount of each purchase exceeded the micro purchase threshold. However, there were no quotes or other evidence attached to show that competition was introduced into the procurement process.

Claim 76571	\$6,773.72	Assorted Library Books
Claim 76876	\$3,586.00	Promotional Bags
Claim 78431	\$3,904.48	Assorted Library Books
Claim 79925	\$4,326.00	Equipment

CRITERIA: Purchases made from the Innovative Approaches to Literacy (Reading to Succeed) award that exceed the micro purchase threshold must be supported by evidence to show that competition was introduced into the purchasing process. The micro-purchase threshold is set by the Federal Acquisition Regulation at 48 CFR Subpart 2.1 (Definitions). The threshold was \$3,500 for the year ended June 30, 2018.

CAUSE: The cause is likely confusion surrounding the thresholds for state procurement requirements as compared to the Federal Acquisition Regulations.

EFFECT: The effect is that purchases were made that exceeded the micro purchase threshold without evidence of competition in the procurement process.

QUESTIONED COSTS: None

RECOMMENDATION: We recommend that the district obtain an adequate number of price quotes or other documentation to show that competition is introduced into the process when Federal award purchases exceed the micro purchase threshold.

STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

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EDDIE PEASANT, ED.D.
SUPERINTENDENT

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AUDITEE'S CORRECTIVE ACTION PLAN

Finding 2018-001. Direct Funding: CFDA 84.215G Innovative Approaches to Literacy. Procurement and Suspension and Debarment

Corrective Action Planned: The District has implemented procedures to ensure that federal purchases that exceed the micro-purchase threshold are conducted in a competitive manner. The district is requiring that at least two written quotes are obtained for all federal purchases that exceed the micro-purchase threshold. The assistant superintendent/federal programs director is now approving all purchase requisitions for the Innovative Approaches to Literacy grant and is reviewing the quotes before approving the purchase requisitions. The district business manager is also reviewing the quotes before the purchase orders are approved, and is maintaining a copy of all quotes. Additional training will also be conducted with administrative assistants and bookkeepers on micro-purchase threshold amounts.

Who is responsible for the corrective action: The Assistant Superintendent/Federal Programs Director and the business manager are responsible for the corrective action.

When the corrective action will start: The corrective action has already been implemented. Training for administrative assistants and bookkeepers will be conducted on January 18, 2019 and at least yearly thereafter or when changes are made in federal regulations.

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STARKVILLE OKTIBBEHA CONSOLIDATED SCHOOL DISTRICT

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FOLLOW UP ON PRIOR YEAR FEDERAL AUDIT FINDINGS

Finding 2017-001. CFDA 84.010 Title I grants to local educational agencies – Cost Principles. This deficiency has been corrected. Controls have been put into place that will ensure only the appropriate personnel costs are charged to Title I grants.

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