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**North Tippah Consolidated School District
Audited Financial Statements
For the Year Ended June 30, 2015**

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**WARRIOR FINANCIAL SERVICES, LLC
CERTIFIED PUBLIC ACCOUNTANTS**

North Tippah Consolidated School District

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INDEPENDENT AUDITORS' REPORT



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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
North Tippah Consolidated School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Tippah Consolidated School District (the "District"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the 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 from 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 District, as of June 30, 2015, 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

analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages i-ix, 29-31, 32 and 33, 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 District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* 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 19, 2016, on our consideration of the 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 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 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 the District's internal control over financial reporting and compliance.

Williams, Pitts & Beard, PLLC
Williams, Pitts & Beard, PLLC
Hernando, Mississippi
January 19, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

**North Tippah Consolidated School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

The following discussion and analysis of North Tippah Consolidated School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2015. 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 2015 decreased \$13,100,852, including a prior period adjustment of \$12,868,312, which represents a 217.50% decrease from fiscal year 2014. The prior period adjustment is due to the implementation of GASB 68 and 71 related to pensions. Total net position for 2014 decreased \$397,070, which represents a 6.18% decrease from fiscal year 2013.
- General revenues amounted to \$8,575,216 and \$8,487,651 or 79.59% and 79.13% of all revenues for fiscal years 2015 and 2014, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,198,932 or 20.41% of total revenues for 2015, and \$2,238,380 or 20.87% of total revenues for 2014.
- The District had \$11,006,688 and \$11,123,101 in expenses for fiscal years 2015 and 2014; only \$2,198,932 for 2015 and \$2,238,380 for 2014 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$8,575,216 for 2015 and \$8,487,651 for 2014 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$8,948,643 in revenues and \$9,223,086 in expenditures for 2015, and \$8,842,950 in revenues and \$9,261,505 in expenditures for 2014. The General Fund's fund balance decreased by \$276,867 from 2014 to 2015, and decreased by \$341,185 from 2013 to 2014.
- Capital assets, net of accumulated depreciation, decreased by \$127,882 for 2015 and decreased by \$124,191 for 2014. The net decrease for 2015 was due to the addition of furniture and equipment and mobile equipment coupled with the increase in accumulated depreciation and the disposal of mobile equipment.
- The liability for compensated absences increased by \$12,381 for 2015 and decreased by \$29,495 for 2014.

Overview of 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 readers 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.

**North Tippah Consolidated School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

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

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

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

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 the 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, readers may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental fund's Balance Sheet is reconciled to the Statement of Net Position, and the governmental fund's 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.

**North Tippah Consolidated School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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 as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board. Also presented as required supplementary information are the Schedule of District's Proportionate Share of the net Pension liability and the Schedule of District Contributions and the related notes to these.

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 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 \$7,077,371 as of June 30, 2015.

**North Tippah Consolidated School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

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 as of June 30, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

**Table 1
Condensed Statement of Net Position**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Assets:			
Current assets	\$ 2,636,696	\$ 2,938,694	-10.28 %
Capital assets, net	<u>3,121,005</u>	<u>3,248,887</u>	-3.94 %
Total assets	<u>5,757,701</u>	<u>6,187,581</u>	-6.95 %
Deferred outflows of resources	<u>1,195,557</u>	<u>-</u>	<u>N/A</u>
Liabilities:			
Current liabilities	47,244	74,135	-36.27 %
Long-term liabilities	102,346	89,965	13.76 %
Net pension liability	<u>12,120,218</u>	<u>-</u>	<u>N/A</u>
Total liabilities	<u>12,269,808</u>	<u>164,100</u>	<u>7,377.03 %</u>
Deferred inflows of resources	<u>1,760,821</u>	<u>-</u>	<u>N/A</u>
Net position:			
Net investment in capital assets	3,121,005	3,248,887	-3.94 %
Restricted	429,456	429,000	0.11 %
Unrestricted	<u>(10,627,832)</u>	<u>2,345,594</u>	<u>-553.10 %</u>
Total net position (deficit)	<u>\$ (7,077,371)</u>	<u>\$ 6,023,481</u>	<u>-217.50 %</u>

Additional information on unrestricted net position:

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

Total unrestricted net deficit	\$ (10,627,832)
Less unrestricted deficit in net position resulting from recognition of the net pension liability	<u>(12,684,178)</u>
Unrestricted net position, exclusive of the net position liability effect	<u>\$ 2,056,346</u>

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

- Decrease in net capital assets in the amount of (\$127,882).
- Net deferred outflows of resources, primarily related to pensions of (\$565,264).
- Adoption of GASB 68 which included adding prior period adjustment of (\$12,868,312) for Net Pension Liability beginning balance.

Changes in Net Position

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$10,774,148 and \$10,726,031, respectively. The total cost of all programs and services was \$11,006,688 for 2015 and \$11,123,101 for 2014.

**North Tippah Consolidated School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

**Table 2
Changes in Net Position**

	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2014</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 558,725	\$ 613,189	-8.88%
Operating grants and contributions	1,640,207	1,625,191	0.92%
General revenues:			
Property taxes	1,472,481	1,321,842	11.40%
Grants and contributions not restricted	7,034,174	7,012,568	0.31%
Investment earnings	18,136	50,843	-64.33%
Other	50,425	102,398	-50.76%
Total revenues	<u>10,774,148</u>	<u>10,726,031</u>	<u>0.45%</u>
Expenses:			
Instruction	6,168,990	6,664,083	-7.43%
Support services	3,194,904	3,580,547	-10.77%
Non-instructional services	820,723	878,471	-6.57%
Pension expense	822,071	-	N/A
Total expenses	<u>11,006,688</u>	<u>11,123,101</u>	<u>-1.05%</u>
Decrease in net position	<u>(232,540)</u>	<u>(397,070)</u>	<u>41.44%</u>
Net Position, July 1	6,023,481	6,420,551	-6.18%
Prior Period Adjustment	<u>(12,868,312)</u>	-	N/A
Net Position (Deficit), July 1, as restated	<u>(6,844,831)</u>	<u>6,420,551</u>	<u>-206.61%</u>
Net Position (Deficit), June 30	<u>\$ (7,077,371)</u>	<u>\$ 6,023,481</u>	<u>-217.50%</u>

Governmental Activities

The following table presents the cost of four major District functional activities: instruction, support services, non-instructional services, and pension expense. 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.

GASB 68 was implemented in fiscal year 2015. Prior year amounts do not reflect the implementation of GASB 68.

**North Tippah Consolidated School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

**Table 3
Net Cost of Governmental Activities**

	<u>Total Expenses</u>		Percentage
	<u>2015</u>	<u>2014</u>	<u>Change</u>
Instruction	\$ 6,168,990	\$ 6,664,083	-7.43%
Support services	3,194,904	3,580,547	-10.77%
Non-instructional services	820,723	878,471	-6.57%
Pension expense	822,071	-	N/A
Total expenses	<u>\$ 11,006,688</u>	<u>\$ 11,123,101</u>	<u>-1.05%</u>

	<u>Net (Expense) Revenue</u>		Percentage
	<u>2015</u>	<u>2014</u>	<u>Change</u>
Instruction	\$ (4,962,169)	\$ (5,541,180)	-10.45%
Support services	(2,941,561)	(3,265,659)	-9.92%
Non-instructional services	(81,955)	(77,882)	5.23%
Pension expense	(822,071)	-	N/A
Total net (expense) revenue	<u>\$ (8,807,756)</u>	<u>\$ (8,884,721)</u>	<u>-0.87%</u>

- Net cost of governmental activities, (\$8,807,756 for 2015 and \$8,884,721 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$1,472,481 for 2015 and \$1,321,842 for 2014) and state and federal revenues (\$7,034,174 for 2015 and \$7,012,568 for 2014).
- Investment earnings amounted to \$18,136 for 2015 and \$50,843 for 2014.

Financial Analysis of the District's Funds

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$2,588,148, a decrease of \$276,411, which includes an increase in inventory of \$939. \$1,934,081 or 74.73% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted or assigned to specific purposes within the General Fund. The remaining fund balance of \$654,067 or 25.27% is either non-spendable, restricted, or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, or assigned.

**North Tippah Consolidated School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$276,867. The fund balance of Other Governmental Funds showed a decrease of \$8,383. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
School Food Service Fund	\$8,839
Educator in Residence	no increase or decrease

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.

Schedules showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and major special revenue funds are provided in this report as required supplementary information.

Capital Assets and Debt Administration

Capital Assets. As of June 30, 2015, the District's total capital assets were \$6,690,803, including land, school buildings, building improvements, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$17,350 from 2014. Total accumulated depreciation as of June 30, 2015 was \$3,569,798 and total depreciation expense for the year was \$152,342, resulting in total net capital assets of \$3,121,005.

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Land	\$ 101,780	\$ 101,780	0.00%
Buildings	2,213,006	2,261,245	-2.13%
Building improvements	411,949	434,870	-5.27%
Improvements other than buildings	16,334	18,668	-12.50%
Mobile equipment	311,195	359,766	-13.50%
Furniture and equipment	66,741	72,558	-8.02%
Net Capital Assets	<u>\$ 3,121,005</u>	<u>\$ 3,248,887</u>	<u>-3.94%</u>

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

Debt Administration. At June 30, 2015, the District had no outstanding long-term debt. The liability for compensated absences increased \$12,381 from the prior year.

**North Tippah Consolidated School District
Management's Discussion and Analysis
For the Year Ended June 30, 2015**

**Table 5
Outstanding Long-Term Debt**

	<u>2015</u>	<u>2014</u>	<u>Percentage Change</u>
Compensated absences payable	\$ 102,346	\$ 89,965	13.76%

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

Current Issues

The North Tippah Consolidated School District includes Chalybeate Elementary School, Falkner Elementary and High Schools, and Walnut Elementary and High Schools.

The North Tippah 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. In addition, the District's system of financial planning, budgeting and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

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

Enrollment for the 2014-2015 year increased from 1,345 to 1,348 students.

Contacting the District's Financial Management

If you have questions about this report or need additional financial information, contact the Superintendent's Office of the North Tippah Consolidated School District, P. O. Box 65, Tiplersville, MS 38674.

BASIC FINANCIAL STATEMENTS

North Tippah Consolidated School District
Statement of Net Position
June 30, 2015

Exhibit A

	<u>Governmental Activities</u>
ASSETS:	
Cash and cash equivalents	\$ 2,511,882
Due from other governments	100,642
Other receivables, net	962
Inventories	23,210
Capital assets, non-depreciable:	
Land	101,780
Capital assets, net of accumulated depreciation:	
Buildings	2,213,006
Building improvements	411,949
Improvements other than buildings	16,334
Mobile equipment	311,195
Furniture and equipment	<u>66,741</u>
Total Assets	<u>5,757,701</u>
 DEFERRED OUTFLOWS OF RESOURCES:	
Related to pensions	<u>1,195,557</u>
 LIABILITIES:	
Accounts payable and accrued liabilities	47,244
Long-term liabilities, due beyond one year:	
Non-capital related liabilities	102,346
Net pension liability	<u>12,120,218</u>
Total Liabilities	<u>12,269,808</u>
 DEFERRED INFLOWS OF RESOURCES:	
Unearned grant revenues	1,304
Related to pensions	<u>1,759,517</u>
Total Deferred Inflows of Resources	<u>1,760,821</u>
 NET POSITION:	
Net investment in capital assets	3,121,005
Restricted for:	
Expendable:	
School-based activities	407,539
Unemployment benefits	21,917
Unrestricted	<u>(10,627,832)</u>
Total Net Position (Deficit)	<u>\$ (7,077,371)</u>

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

**North Tippah Consolidated School District
Statement of Activities
For the Year Ended June 30, 2015**

Exhibit B

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 6,168,990	\$ 425,899	\$ 780,922	\$ (4,962,169)
Support services	3,194,904	-	253,343	(2,941,561)
Non-instructional services	820,723	132,826	605,942	(81,955)
Pension expense	822,071	-	-	(822,071)
Total Governmental Activities	\$ 11,006,688	\$ 558,725	\$ 1,640,207	(8,807,756)
General Revenues:				
Taxes:				
				1,472,453
				28
Unrestricted grants and contributions:				
				6,935,808
				98,366
				18,136
				50,425
				8,575,216
				(232,540)
				6,023,481
				(12,868,312)
				(6,844,831)
				\$ (7,077,371)

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

**North Tippah Consolidated School District
Balance Sheet - Governmental Funds
June 30, 2015**

Exhibit C

	<u>Major Funds</u>				<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>School Food Service Fund</u>	<u>Educator in Residence Fund</u>	<u>Other Governmental Funds</u>	
ASSETS:					
Cash and cash equivalents	\$ 2,099,194	\$ 381,778	\$ -	\$ 30,910	\$ 2,511,882
Due from other governments	85,077	-	6,037	9,528	100,642
Due from other funds	12,255	-	-	-	12,255
Inventories	-	23,210	-	-	23,210
Total Assets	<u>\$ 2,196,526</u>	<u>\$ 404,988</u>	<u>\$ 6,037</u>	<u>\$ 40,438</u>	<u>\$ 2,647,989</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 37,834	\$ 8,823	\$ -	\$ 587	\$ 47,244
Due to other funds	-	126	6,037	5,130	11,293
Total Liabilities	<u>37,834</u>	<u>8,949</u>	<u>6,037</u>	<u>5,717</u>	<u>58,537</u>
Deferred Inflows of Resources:					
Unearned grant revenue	-	-	-	1,304	1,304
Fund Balances:					
Nonspendable:					
Inventory	-	23,210	-	-	23,210
Restricted:					
Unemployment benefits	-	-	-	21,917	21,917
Food service	-	372,829	-	-	372,829
Grant activities	-	-	-	11,500	11,500
Assigned:					
Activity funds	224,611	-	-	-	224,611
Unassigned	1,934,081	-	-	-	1,934,081
Total Fund Balances	<u>2,158,692</u>	<u>396,039</u>	<u>-</u>	<u>33,417</u>	<u>2,588,148</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,196,526</u>	<u>\$ 404,988</u>	<u>\$ 6,037</u>	<u>\$ 40,438</u>	<u>\$ 2,647,989</u>

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

**North Tippah Consolidated School District
 Reconciliation of Governmental Funds Balance Sheet
 To the Statement of Net Position
 June 30, 2015**

Exhibit C-1

Total Fund Balances for Governmental Funds \$ 2,588,148

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

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

Land	\$	101,780	
Buildings		4,459,906	
Building improvements		573,003	
Improvements other than buildings		58,334	
Mobile equipment		1,209,486	
Furniture and equipment		288,294	
Accumulated depreciation		<u>(3,569,798)</u>	3,121,005

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 (12,120,218)

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		1,195,557	
Deferred inflows of resources related to pensions		<u>(1,759,517)</u>	(563,960)

3. Long-term liabilities are not due and payable in the current period, and, therefore, are not reported in the funds:

Compensated absences payable (102,346)

Net Position (Deficit) of Governmental Activities \$ (7,077,371)

North Tippah Consolidated School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

Exhibit D

	Major Funds				Total Governmental Funds
	General Fund	School Service Fund	Educator in Residence Fund	Other Governmental Funds	
REVENUES:					
Local sources	\$ 1,964,370	\$ 134,926	\$ -	\$ 155	\$ 2,099,451
State sources	6,886,989	7,962	72,445	193,224	7,160,620
Federal sources	97,284	686,040	-	730,437	1,513,761
Total Revenues	8,948,643	828,928	72,445	923,816	10,773,832
EXPENDITURES:					
Instruction	6,005,146	-	72,445	753,985	6,831,576
Support services	3,093,787	103,220	-	182,386	3,379,393
Non-instructional services	124,153	717,808	-	-	841,961
Total Expenditures	9,223,086	821,028	72,445	936,371	11,052,930
Excess (Deficiency) of Revenues over (under) Expenditures	(274,443)	7,900	-	(12,555)	(279,098)
OTHER FINANCING SOURCES (USES):					
Insurance recovery	643	-	-	-	643
Sale of transportation equipment	1,105	-	-	-	1,105
Operating transfers in	28	-	-	4,200	4,228
Operating transfers out	(4,200)	-	-	(28)	(4,228)
Total Other Financing Sources (Uses)	(2,424)	-	-	4,172	1,748
NET CHANGE IN FUND BALANCES	(276,867)	7,900	-	(8,383)	(277,350)
FUND BALANCES:					
July 1, 2014	2,435,559	387,200	-	41,800	2,864,559
Increase in Reserve for Inventory	-	939	-	-	939
June 30, 2015	\$ 2,158,692	\$ 396,039	\$ -	\$ 33,417	\$ 2,588,148

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

**North Tippah Consolidated School District
Reconciliation of Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
To the Statement of Activities
For the Year Ended June 30, 2015**

Exhibit D-1

Net Change in Fund Balances - Total Governmental Funds \$ (277,350)

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

1. Governmental funds report capital outlays 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 outlays	\$ 25,250	
Depreciation expense	<u>(152,342)</u>	(127,092)

2. In the Statement of Activities, only the gain/loss on the disposal 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.

(790)

3. Governmental funds report employer contributions to its pension plan as expenditures. However, in the Statement of Activities, the actual expense of the pension plan is reported.

184,134

4. 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 the governmental funds.

These activities include:

Change in compensated absences	(12,381)	
Change in inventory reserve	<u>939</u>	<u>(11,442)</u>

Change in Net Position of Governmental Activities \$ (232,540)

**North Tippah Consolidated School District
Statement of Fiduciary Assets and Liabilities
June 30, 2015**

Exhibit E

	<u>Agency Funds</u>
ASSETS:	
Cash and cash equivalents	\$ 543,066
Other receivables	<u>90</u>
Total Assets	<u><u>\$ 543,156</u></u>
LIABILITIES:	
Accounts payable and accrued liabilities	\$ 489,138
Due to other funds	962
Due to student clubs	<u>53,056</u>
Total Liabilities	<u><u>\$ 543,156</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

North Tippah Consolidated School District
Notes to the Financial Statements
For the Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

For financial reporting purposes, North Tippah 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 and liabilities, 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.

North Tippah Consolidated School District
Notes to the Financial Statements
For the Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The School District reports the following major governmental funds:

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

School Food Service Fund - This is a special revenue fund that accounts for food distribution under the national school breakfast and lunch programs.

Educator in Residence Fund – This accounts for a state grant which is used to coordinate the Literacy-Based Promotion Act and provide appropriate services to schools in Mississippi.

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:

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

Accounts Payable Clearing Fund – This fund is used as a clearing account for non-payroll transactions.

Student Club Funds – These funds are used to account for the transactions of student clubs.

Additionally, the School District reports on the following fund types:

GOVERNMENTAL FUNDS

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

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

**North Tippah Consolidated School District
Notes to the Financial Statements
For the Year Ended June 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

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

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

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

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

**North Tippah Consolidated School District
Notes to the Financial Statements
For the Year Ended June 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2003*, issued by the U. S. Department of Education.

D. Encumbrances

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

E. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position/Fund Balances

1. Cash, Cash Equivalents and Investments

Cash and Cash Equivalents

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

Investments

The School District can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, 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.

North Tippah Consolidated School District
Notes to the Financial Statements
For The Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Receivables and Payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

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 Zone Academy Bond sinking funds.

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 activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

**North Tippah Consolidated School District
Notes to the Financial Statements
For The Year Ended June 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
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	*	*
Intangible assets	\$100,000	**

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 4 for details.

(**) The District has no intangible assets over the threshold.

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 future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The District's deferred outflows of resources are related to pensions and are described in Note 6.

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 future periods and so will not be recognized as an inflow of resources (revenue) until that time.

The District's deferred inflows of resources are related to unearned grant revenues and pensions. See Note 6 for further details.

**North Tippah Consolidated School District
Notes to the Financial Statements
For the Year Ended June 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Compensated Absences

Employees of the School District accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The District pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

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

9. 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.

10. Fund Balances

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

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

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

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

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

**North Tippah Consolidated School District
Notes to the Financial Statements
For the Year Ended June 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

11. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Estimates are used when accounting for receivables, pension expense and liabilities, and depreciation. Accordingly, actual results could differ from those estimates.

NOTE 2 - CASH AND CASH EQUIVALENTS

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

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the School 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.

The carrying amount of the School District's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$2,511,882 and \$543,066, respectively.

**North Tippah Consolidated School District
Notes to the Financial Statements
For the Year Ended June 30, 2015**

NOTE 2 - CASH AND CASH EQUIVALENTS (Continued)

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. However, the Mississippi State Treasurer manages that risk on behalf of the District. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the District. As of June 30, 2015, none of the District's bank balance of \$3,176,420 was exposed to custodial credit risk.

NOTE 3 – INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS

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

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	School Food Service Fund	\$ 126
General Fund	Educator in Residence Fund	6,037
General Fund	Other governmental funds	5,130
General Fund	Fiduciary funds	<u>962</u>
Total		<u>\$ 12,255</u>

Inter-fund receivables and payables resulted primarily from the general fund's loans to various special revenue funds to cover cash deficits in pooled bank accounts.

B. Inter-fund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 4,200
Other governmental funds	General Fund	<u>28</u>
Total		<u>\$ 4,228</u>

Inter-fund transfers were made from the General Fund to another governmental fund to comply with matching requirements of a federal grant.

**North Tippah Consolidated School District
Notes to the Financial Statements
For the Year Ended June 30, 2015**

NOTE 4 - CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2015</u>
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 101,780	\$ -	\$ -	\$ 101,780
Total non-depreciable capital assets	<u>101,780</u>	<u>-</u>	<u>-</u>	<u>101,780</u>
<u>Depreciable capital assets:</u>				
Buildings	4,459,906	-	-	4,459,906
Building improvements	573,003	-	-	573,003
Improvements other than buildings	58,334	-	-	58,334
Mobile equipment	1,204,386	13,000	7,900	1,209,486
Furniture and equipment	<u>276,044</u>	<u>12,250</u>	<u>-</u>	<u>288,294</u>
Total depreciable capital assets	<u>6,571,673</u>	<u>25,250</u>	<u>7,900</u>	<u>6,589,023</u>
<u>Less accumulated depreciation for:</u>				
Buildings	2,198,661	48,239	-	2,246,900
Building improvements	138,133	22,921	-	161,054
Improvements other than buildings	39,667	2,333	-	42,000
Mobile equipment	844,619	60,782	7,110	898,291
Furniture and equipment	<u>203,486</u>	<u>18,067</u>	<u>-</u>	<u>221,553</u>
Total accumulated depreciation	<u>3,424,566</u>	<u>152,342</u>	<u>7,110</u>	<u>3,569,798</u>
Total depreciable capital assets, net	<u>3,147,107</u>	<u>(127,092)</u>	<u>790</u>	<u>3,019,225</u>
Governmental activities capital assets, net	<u>\$ 3,248,887</u>	<u>\$ (127,092)</u>	<u>\$ 790</u>	<u>\$ 3,121,005</u>

Depreciation expense was charged to the following governmental functions:

Governmental Activities:	<u>Amount</u>
Instruction	\$ 76,099
Support services	53,516
Non-instructional services	<u>22,727</u>
Total depreciation expense - governmental activities	<u>\$ 152,342</u>

**North Tippah Consolidated School District
Notes to the Financial Statements
For the Year Ended June 30, 2015**

NOTE 5 - LONG-TERM LIABILITIES

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

	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
	<u>July 1, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2015</u>	<u>June 30, 2015</u>
Compensated absences payable	\$ 89,965	\$ 12,381	\$ -	\$ 102,346

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

NOTE 6 - DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

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

**North Tippah Consolidated School District
Notes to the Financial Statements
For the Year Ended June 30, 2015**

NOTE 6 - DEFINED BENEFIT PENSION PLAN (Continued)

is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the School District is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The School District's contributions to PERS for the fiscal years ending June 30, 2015, 2014 and 2013 were \$1,006,205, \$987,625 and \$883,904, 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, 2015, the School District reported a liability of \$12,120,218 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, 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. At June 30, 2014, the School District's proportion was .10 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$822,071. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 189,352	\$ -
Net difference between projected and actual earnings on pension plan investments	-	1,759,517
District contributions subsequent to the measurement date	<u>1,006,205</u>	<u>-</u>
Total	<u>\$ 1,195,557</u>	<u>\$ 1,759,517</u>

**North Tippah Consolidated School District
Notes to the Financial Statements
For the Year Ended June 30, 2015**

NOTE 6 - DEFINED BENEFIT PENSION PLAN (Continued)

\$1,006,205 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, 2016. 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 ended June 30:	
2016	\$ (371,767)
2017	(371,767)
2018	(386,752)
2019	(439,879)
2020	-
Thereafter	-
	<u>\$ (1,570,165)</u>

Actuarial assumptions. The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 percent
Salary increases	4.25 – 19.50 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013.

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:

**North Tippah Consolidated School District
Notes to the Financial Statements
For the Year Ended June 30, 2015**

NOTE 6 - DEFINED BENEFIT PENSION PLAN (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34 %	5.2 %
International Equity	19	5 %
Emerging Markets Equity	8	5.45 %
Fixed Income	20	0.25 %
Real Assets	10	4 %
Private Equity	8	6.15 %
Cash	1	(0.50) %
Total	<u>100 %</u>	

Discount rate. The discount rate used to measure the total pension liability was 8.00 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 rates equal to the difference between actuarially determined contribution rates and the member 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 the current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
District's proportionate share of the net pension liability	\$ 16,547,944	\$ 12,120,218	\$ 8,459,761

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

**North Tippah Consolidated School District
Notes to the Financial Statements
For the Year Ended June 30, 2015**

NOTE 7 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to Net Position as follows:

Exhibit B – Statement of Activities

Implementation of GASB 68 and 71:

Net pension liability (June 30, 2013)	\$ 13,855,937
Deferred outflows - contributions made during fiscal year 2014	<u>(987,625)</u>
Total prior period adjustment related to GASB 68 and 71	<u>\$ 12,868,312</u>

NOTE 8 - 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 part to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district’s legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

NOTE 9 - RISK MANAGEMENT

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

NOTE 10 - VOCATIONAL SCHOOL CONSORTIUM

The School District entered into a Vocational Educational Agreement dated August 24, 1981, creating the North and South Tippah County Vocational-Technical Center. This center was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and was approved by the Mississippi Department of Education. The consortium includes the North Tippah School District and the South Tippah School District. The name of the center has been changed to the Tippah Career and Technology Center.

North Tippah Consolidated School District
Notes to the Financial Statements
For the Year Ended June 30, 2015

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

The South Tippah School District has been designated as the fiscal agent for the Tippah Career and Technology Center, and the operations of the center are included in its financial statements.

NOTE 11 – INSURANCE LOSS RECOVERIES

The North Tippah Consolidated School District received \$643 in insurance loss recoveries related to a bus accident during the 2014-2015 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries reduced support services expense.

NOTE 12 – SUBSEQUENT EVENTS

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the North Tippah Consolidated School District evaluated the activity of the District through January 19, 2016 (the date the financial statements were available to be issued), and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**North Tippah Consolidated School District
Budgetary Comparison Schedule for the General Fund
For the Year Ended June 30, 2015**

Schedule 1

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>	
				<u>Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>	<u>(GAAP Basis)</u>	<u>Original to Final</u>	<u>Final to Actual</u>
REVENUES:					
Local sources	\$ 2,030,642	\$ 1,964,370	\$ 1,964,370	\$ (66,272)	\$ -
State sources	6,894,011	6,886,989	6,886,989	(7,022)	-
Federal sources	60,700	97,284	97,284	36,584	-
Total Revenues	<u>8,985,353</u>	<u>8,948,643</u>	<u>8,948,643</u>	<u>(36,710)</u>	<u>-</u>
EXPENDITURES:					
Instruction	6,015,240	6,005,146	6,005,146	10,094	-
Support services	3,395,438	3,093,787	3,093,787	301,651	-
Non-instructional services	114,050	124,153	124,153	(10,103)	-
Facilities acquisition and construction	9,000	-	-	9,000	-
Total Expenditures	<u>9,533,728</u>	<u>9,223,086</u>	<u>9,223,086</u>	<u>310,642</u>	<u>-</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(548,375)</u>	<u>(274,443)</u>	<u>(274,443)</u>	<u>273,932</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):					
Insurance recovery	-	643	643	643	-
Sale of transportation equipment	-	1,105	1,105	1,105	-
Operating transfers in	-	28	28	28	-
Operating transfers out	(1,000)	(4,200)	(4,200)	(3,200)	-
Total Other Financing Sources (Uses)	<u>(1,000)</u>	<u>(2,424)</u>	<u>(2,424)</u>	<u>(1,424)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(549,375)</u>	<u>(276,867)</u>	<u>(276,867)</u>	<u>272,508</u>	<u>-</u>
FUND BALANCE:					
July 1, 2014	<u>2,435,559</u>	<u>2,435,559</u>	<u>2,435,559</u>	<u>-</u>	<u>-</u>
June 30, 2015	<u>\$ 1,886,184</u>	<u>\$ 2,158,692</u>	<u>\$ 2,158,692</u>	<u>\$ 272,508</u>	<u>\$ -</u>

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

North Tippah Consolidated School District
Budgetary Comparison Schedule for the School Food Service Fund
For the Year Ended June 30, 2015

Schedule 2

	Budgeted Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
REVENUES:					
Local sources	\$ 156,100	\$ 134,926	\$ 134,926	\$ (21,174)	\$ -
State sources	8,300	7,962	7,962	(338)	-
Federal sources	615,750	686,040	686,040	70,290	-
Total Revenues	780,150	828,928	828,928	48,778	-
EXPENDITURES:					
Support services	94,839	103,220	103,220	(8,381)	-
Non-instructional services	782,585	717,808	717,808	64,777	-
Total Expenditures	877,424	821,028	821,028	56,396	-
NET CHANGE IN FUND BALANCE	(97,274)	7,900	7,900	105,174	-
FUND BALANCE:					
July 1, 2014	387,200	387,200	387,200	-	-
Increase in Reserve for Inventory	-	939	939	939	-
June 30, 2015	\$ 289,926	\$ 396,039	\$ 396,039	\$ 106,113	\$ -

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

North Tippah Consolidated School District
Budgetary Comparison Schedule for the Educator In Residence Fund
For the Year Ended June 30, 2015

Schedule 3

	<u>Budgeted Amounts</u>		<u>Actual (GAAP Basis)</u>	<u>Variances</u>	
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>	
				<u>Original to Final</u>	<u>Final to Actual</u>
REVENUES:					
State sources	\$ -	\$ 72,445	\$ 72,445	\$ 72,445	\$ -
Total Revenues	<u>-</u>	<u>72,445</u>	<u>72,445</u>	<u>72,445</u>	<u>-</u>
EXPENDITURES:					
Instruction	-	72,445	72,445	(72,445)	-
Total Expenditures	<u>-</u>	<u>72,445</u>	<u>72,445</u>	<u>(72,445)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	-	-	-	-
FUND BALANCE:					
July 1, 2014	-	-	-	-	-
June 30, 2015	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**North Tippah Consolidated School District
Schedule of the District's Proportionate Share
Of the Net Pension Liability
For the Year Ended June 30, 2015**

Schedule 4

District's proportion of the net pension liability	0.10%
District's proportionate share of the net pension liability	\$ 12,120,218
District's covered-employee payroll	\$ 6,270,635
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	193.29%
Plan fiduciary net position as a percentage of the total pension liability	67.21%

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

**North Tippah Consolidated School District
Schedule of the District Contributions
For the Year Ended June 30, 2015**

Schedule 5

Contractually required contribution	\$ 1,006,205
Contributions in relation to the contractually required contribution	<u>1,006,205</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 6,388,602
Contributions as a percentage of covered- employee payroll	15.75%

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

**North Tippah Consolidated School District
Notes to the Required Supplementary Information
For the Year Ended June 30, 2015**

NOTE 1 - BUDGETARY COMPARISON SCHEDULES

1. Basis of Presentation

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

2. Budget Amendments and Revisions

The budget is adopted by the school board and is 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 schedule is presented for the general fund and each major special revenue fund consistent with accounting principles generally accepted in the United States of America.

NOTE 2 - SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY AND DISTRICT CONTRIBUTIONS TO PERS

1. Measurement Date

The amounts presented in Schedule 4 were determined as of the measurement date of June 30, 2014.

2. 10-Year Schedules

These schedules are presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in fiscal year ended June 30, 2015, and until a 10-year trend is compiled, the District has only presented information for the year in which information is available.

SUPPLEMENTARY INFORMATION

**North Tippah Consolidated School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child Nutrition Cluster:		
School breakfast program	10.553	\$ 184,077
National school lunch program	10.555	494,528
Total Child Nutrition Cluster		<u>678,605</u>
Total U.S. Department of Agriculture		<u>678,605</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the Universal Service Fund	32.XXX	62,218
Total Federal Communications Commission		<u>62,218</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Rehabilitation Services:		
Rehabilitation services - vocational rehabilitation grants to states	84.126	238
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	303,889
Rural education	84.358	21,174
Improving teacher quality - state grants	84.367	97,437
Subtotal		<u>422,500</u>
Special education cluster:		
Special education - grants to states	84.027	279,191
Special education - preschool grants	84.173	11,553
Total special education cluster		<u>290,744</u>
Total passed-through Mississippi Department of Education		<u>713,244</u>
Total U.S. Department of Education		<u>713,482</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	9,696
Total U.S. Department of Health and Human Services		<u>9,696</u>
<u>Appalachian Regional Commission</u>		
Appalachian area development	23.002	16,800
Total Appalachian Regional Commission		<u>16,800</u>
Total for All Federal Awards		<u>\$ 1,480,801</u>

NOTES TO SCHEDULE

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

**North Tippah Consolidated School District
Schedule of Instructional, Administrative,
And other Expenditures-Governmental Funds
For the Year Ended June 30, 2015**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 8,675,490	\$ 6,826,203	\$ 298,557	\$ 691,312	\$ 859,418
Other	<u>2,377,440</u>	<u>628,415</u>	<u>119,113</u>	<u>53,732</u>	<u>1,576,180</u>
Total	\$ <u>11,052,930</u>	\$ <u>7,454,618</u>	\$ <u>417,670</u>	\$ <u>745,044</u>	\$ <u>2,435,598</u>
Total number of students*	<u>1,279</u>				
Cost per student	\$ <u>8,642</u>	\$ <u>5,828</u>	\$ <u>327</u>	\$ <u>583</u>	\$ <u>1,904</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.

OTHER INFORMATION

North Tippah Consolidated School District
Statement of Revenues, Expenditures and Changes in Fund Balances General Fund,
Last Four Years
Unaudited

	2015	2014*	2013*	2012*
REVENUES:				
Local sources	\$ 1,964,370	\$ 1,861,177	\$ 1,822,644	\$ 1,722,105
State sources	6,886,989	6,898,614	6,740,699	6,585,361
Federal sources	97,284	83,159	64,536	83,971
Total Revenues	8,948,643	8,842,950	8,627,879	8,391,437
EXPENDITURES:				
Instruction	6,005,146	5,920,134	5,620,043	5,502,611
Support services	3,093,787	3,206,130	2,991,191	3,002,085
Non-instructional services	124,153	124,582	141,628	102,226
Facilities acquisition and construction	-	10,659	107,704	11,489
Total Expenditures	9,223,086	9,261,505	8,860,566	8,618,411
Excess (Deficiency) of Revenues over (under) Expenditures	(274,443)	(418,555)	(232,687)	(226,974)
OTHER FINANCING SOURCES (USES):				
Insurance recovery	643	61,223	-	-
Sale of transportation equipment	1,105	-	3,883	2,577
Operating transfers in	28	17,213	-	72,608
Operating transfers out	(4,200)	(1,066)	-	(6,500)
Total Other Financing Sources	(2,424)	77,370	3,883	68,685
NET CHANGE IN FUND BALANCES	(276,867)	(341,185)	(228,804)	(158,289)
FUND BALANCES:				
July 1	2,435,559	2,776,744	3,005,548	3,163,837
June 30	\$ 2,158,692	\$ 2,435,559	\$ 2,776,744	\$ 3,005,548

*Source - Prior year audit reports

North Tippah Consolidated School District
Statement of Revenues, Expenditures and Changes in Fund Balances All Governmental Funds,
Last Four Years
Unaudited

	<u>2015</u>	<u>2014*</u>	<u>2013*</u>	<u>2012*</u>
REVENUES:				
Local sources	\$ 2,099,451	\$ 2,027,050	\$ 2,091,225	\$ 1,995,506
Intermediate sources	-	-	19,576	-
State sources	7,160,620	7,147,577	7,039,646	6,943,513
Federal sources	<u>1,513,761</u>	<u>1,490,181</u>	<u>1,363,257</u>	<u>1,442,729</u>
Total Revenues	<u>10,773,832</u>	<u>10,664,808</u>	<u>10,513,704</u>	<u>10,381,748</u>
EXPENDITURES:				
Instruction	6,831,576	6,607,910	6,326,716	6,338,625
Support services	3,379,393	3,537,850	3,259,146	3,269,183
Non-instructional services	841,961	869,462	878,732	821,634
Facilities acquisition and construction	-	10,659	145,914	116,958
Debt service:				
Principal	-	-	104,000	145,000
Interest	<u>-</u>	<u>-</u>	<u>2,330</u>	<u>5,578</u>
Total Expenditures	<u>11,052,930</u>	<u>11,025,881</u>	<u>10,716,838</u>	<u>10,696,978</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(279,098)</u>	<u>(361,073)</u>	<u>(203,134)</u>	<u>(315,230)</u>
OTHER FINANCING SOURCES (USES):				
Insurance recovery	643	61,223	-	-
Sale of transportation equipment	1,105	-	3,883	2,577
Operating transfers in	4,228	46,573	29,021	114,697
Operating transfers out	<u>(4,228)</u>	<u>(46,573)</u>	<u>(29,021)</u>	<u>(114,697)</u>
Total Other Financing Sources	<u>1,748</u>	<u>61,223</u>	<u>3,883</u>	<u>2,577</u>
NET CHANGE IN FUND BALANCES	(277,350)	(299,850)	(199,251)	(312,653)
FUND BALANCES:				
July 1	2,864,559	3,166,933	3,365,392	3,677,803
Increase (Decrease) in Reserve for Inventory	<u>939</u>	<u>(2,524)</u>	<u>792</u>	<u>242</u>
June 30	<u>\$ 2,588,148</u>	<u>\$ 2,864,559</u>	<u>\$ 3,166,933</u>	<u>\$ 3,365,392</u>

*Source - Prior year audit reports

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



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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
North Tippah Consolidated School District
Senatobia, Mississippi

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 the North Tippah Consolidated School District (the "District"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 19, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the District's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

We also noted a certain matter which we have reported to the management of the District in the Independent Auditor's Report on Compliance with State Laws and Regulations dated January 19, 2016, included with this document.

Purpose of this Report

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

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC

Hernando, Mississippi

January 19, 2016



WILLIAMS PEELS BEARD LLC
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB
CIRCULAR A-133**

Superintendent and School Board
North Tippah Consolidated School District
Senatobia, Mississippi

Report on Compliance for Each Major Federal Program

We have audited the North Tippah Consolidated School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2015. The 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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. Our audit does not provide a legal determination of the District's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, North Tippah 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, 2015.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC
Hernando, Mississippi
January 19, 2016



WILLIAM P. WILLIAMS & CO.
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
North Tippah Consolidated School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Tippah Consolidated School District as of and for the year ended June 30, 2015, which collectively comprise the North Tippah Consolidated School District's basic financial statements and have issued our report thereon dated January 19, 2016. 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. The district reported \$0 of classroom supply funds carried over from previous years.

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 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:

1. Finding: Section 37-57-107, Miss. Code Ann. (1972) states: "the aggregate receipts from taxes levied for school district purposes pursuant to Sections 37-57-105 and 37-57-1 shall not exceed the aggregate receipts from those sources during any one of the immediately preceding three fiscal years, as determined by the school board, plus an increase not to exceed seven percent (7%)." During fiscal year 2015, the District collected \$1,570,820 in ad valorem tax and homestead exemption payments. This was eleven (11%) more than the previous year's ad valorem and homestead exemption receipts.

Recommendation: The School District should adhere to Section 37-57-107, Miss. Code Ann. (1972), which states: "if revenues collected as the result of the taxes levied for the fiscal year pursuant to this section and Section 37-57-1 exceed the increase limitation, then it shall be the mandatory duty of the school board of the school district to deposit such excess receipts over and above the increase limitation into a special account and credit it to the fund for which the levy was made." "Such excess funds shall be calculated in the budgets for the school districts for the purpose for which such levies were made, for the succeeding fiscal year. Taxes imposed for the succeeding year shall be reduced by the amount of excess funds available."

Response: We have amended our request for the 2015-2016 budget to reflect the excess funds collected during the 2014-2015 fiscal year. Our fiscal years are not the same as the county. This requires us to estimate May-September collections. We will take greater care in estimating the collections for those months.

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 ensure that corrective action has been taken.

The 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, the report is a matter of public record and its distribution is not limited.

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC
Certified Public Accountants
January 19, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**North Tippah Consolidated School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015**

Section I: Summary of Auditor's Results

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

Federal Awards:

- | | |
|---|---|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified? | None reported |
| 5. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | No |
| 7. Identification of major programs: | |
| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
| 10.553 | Child nutrition cluster: |
| 10.555 | School breakfast program |
| | National school lunch program |
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. Auditee qualified as low-risk auditee? | 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 test did not disclose any findings and questioned costs related to the federal awards.