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OKTIBBEHA COUNTY SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2015

OKTIBBEHA COUNTY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
Starkville Oktibbeha Consolidated School District

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Oktibbeha County School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Oktibbeha County School District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Oktibbeha County School 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 5-14, 44-47, 48 and 49, 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.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Oktibbeha County School 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 (Circular A-133), 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 (Circular A-133) 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 August 25, 2015, on our consideration of the Oktibbeha County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 Oktibbeha County School District's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Cunningham CPAs". The signature is written in a cursive style.

Cunningham CPAs, PLLC

Belzoni, Mississippi

August 25, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

OKTIBBEHA COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

The following discussion and analysis of Oktibbeha County 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 \$11,174,595, including a prior period adjustment of (\$11,403,888), which represents a 372% decrease from fiscal year 2014. Total net position for 2014 decreased \$45,646, including a prior period adjustment of (\$17,114), which represents a 1% decrease from fiscal year 2013.
- General revenues amounted to \$8,157,315 and \$8,091,163, or 81% and 80% 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 \$1,897,083, or 19% of total revenues for 2015, and \$1,981,421, or 20% of total revenues for 2014.
- The District had \$9,825,105 and \$10,101,116 in expenses for fiscal years 2015 and 2014; only \$1,897,083 for 2015 and \$1,981,421 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$8,157,315 for 2015 and \$8,091,163 for 2014 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$7,797,414 in revenues and \$8,074,039 in expenditures for 2015, and \$7,361,142 in revenues and \$8,133,980 in expenditures in 2014. The General Fund's fund balance increased by \$452,816, including a fund reclassification of the Sixteenth Section Interest Funds of \$615,632 and including a prior period adjustment of \$58,468, from 2014 to 2015, and decreased by \$126,622 from 2013 to 2014.
- Capital assets, net of accumulated depreciation, increased by \$2,017,264, including a prior period adjustment of (\$5,669) for 2015 and increased by \$49,143 for 2014. The increase for 2015 was due primarily to building improvements net of the increase in accumulated depreciation.
- Long-term debt increased by \$1,830,412 for 2015 and decreased by \$371,107 for 2014. This increase for 2015 was due primarily to issuing three mill notes net of the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$8,294 for 2015 and decreased by \$1,680 for 2014.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### Government-wide Financial Statements

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

The Statement of Net Position presents information on all the District's nonfiduciary assets and liabilities, with the differences between the two reported as "net position." Over time, increases or decreases in the

OKTIBBEHA COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

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

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

### **Fund Financial Statements**

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

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

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

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

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

### **Reconciliation of Government-wide and Fund Financial Statements**

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

OKTIBBEHA COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

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 schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board. Additionally, the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of the District's Contributions are presented in this section.

**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 \$8,173,749 as of 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.

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Table 1 presents a summary of the District's net position at 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**

	June 30, 2015	June 30, 2014	Percentage Change
Current assets	\$ 2,243,137	\$ 2,360,489	-4.97 %
Restricted assets	1,402,472	1,342,246	4.49 %
Capital assets, net	3,629,220	1,611,956	125.14 %
<b>Total assets</b>	<b>7,274,829</b>	<b>5,314,691</b>	<b>36.88 %</b>
<b>Deferred outflows of resources</b>	<b>958,268</b>	-	<b>N/A %</b>
Current liabilities	545,633	335,572	62.60 %
Long-term debt outstanding	3,808,685	1,978,273	92.53 %
Net pension liability	10,074,681	-	N/A %
<b>Total liabilities</b>	<b>14,428,999</b>	<b>2,313,845</b>	<b>523.59 %</b>
<b>Deferred inflows of resources</b>	<b>1,977,847</b>	-	<b>N/A %</b>
<b>Net position:</b>			
Net investment in capital assets	279,567	140,509	98.97 %
Restricted	2,198,957	2,298,718	-4.34 %
Unrestricted	(10,652,273)	561,619	-1996.71 %
<b>Total net position</b>	<b>\$ (8,173,749)</b>	<b>\$ 3,000,846</b>	<b>-372.38 %</b>

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (10,652,273)
Less unrestricted deficit in net position resulting from implementation of GASB Statement No. 68.	<u>11,094,260</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 441,987</u>

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

- Increase in net capital assets in the amount of \$2,017,264.
- The principal retirement of \$655,622 of long-term debt.
- Issuing \$2,500,000 three mill tax notes.
- Implementation of GASB Statement No. 68 which required the recording of a liability for the proportionate share of the school district as well as the recording of deferred outflows/inflows of resources on the Statement of Net Position.

OKTIBBEHA COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$10,054,398 and \$10,072,584, respectively. The total cost of all programs and services was \$9,825,105 for 2015 and \$10,101,116 for 2014.

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>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 131,100	\$ 143,968	(8.94) %
Operating grants and contributions	1,765,983	1,837,453	(3.89) %
General revenues:			
Property taxes	3,810,848	3,593,264	6.06 %
Grants and contributions not restricted	4,124,210	4,026,748	2.42 %
Investment earnings	6,312	18,565	(66.00) %
Sixteenth section sources	200,746	399,712	(49.78) %
Other	15,199	52,874	(71.25) %
<b>Total revenues</b>	<b><u>10,054,398</u></b>	<b><u>10,072,584</u></b>	<b>(0.18) %</b>
<b>Expenses:</b>			
Instruction	4,268,411	4,854,019	(12.06) %
Support services	4,336,316	4,427,125	(2.05) %
Non-instructional	582,531	656,768	(11.30) %
Sixteenth section	49,568	110,434	(55.12) %
Pension expense	496,187	-	N/A %
Interest on long-term liabilities	92,092	52,770	74.52 %
<b>Total expenses</b>	<b><u>9,825,105</u></b>	<b><u>10,101,116</u></b>	<b>(2.73) %</b>
<b>Increase (Decrease) in net position</b>	<b><u>229,293</u></b>	<b><u>(28,532)</u></b>	<b>903.63 %</b>
<b>Net Position, July 1, as previously reported</b>	<b>3,000,846</b>	<b>3,046,492</b>	(1.50) %
<b>Prior Period Adjustment</b>	<b>(11,403,888)</b>	<b>(17,114)</b>	(66,534.85) %
<b>Net Position, July 1, as restated</b>	<b><u>(8,403,042)</u></b>	<b><u>3,029,378</u></b>	<b>(377.39) %</b>
<b>Net Position, June 30</b>	<b><u>\$ (8,173,749)</u></b>	<b><u>\$ 3,000,846</u></b>	<b>(372.38) %</b>

**Governmental activities**

The following table presents the cost of six major District functional activities: instruction, support services, non-instructional, sixteenth section, pension expense and interest on long-term liabilities. The table also shows each functional activity's net cost (total cost less charges for services generated by the

OKTIBBEHA COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

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.

**Table 3  
Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<b>Percentage Change</b>
	<u>2015</u>	<u>2014</u>	
Instruction	\$ 4,268,411	\$ 4,854,019	(12.06) %
Support services	4,336,316	4,427,125	(2.05) %
Non-instructional	582,531	656,768	(11.30) %
Sixteenth section	49,568	110,434	(55.12) %
Pension Expense	496,187	-	N/A %
Interest on long-term liabilities	92,092	52,770	74.52 %
<b>Total expenses</b>	<b>\$ 9,825,105</b>	<b>\$ 10,101,116</b>	<b>(2.73) %</b>
	<u>Net (Expense) Revenue</u>		<b>Percentage Change</b>
	<u>2015</u>	<u>2014</u>	
Instruction	\$ (3,679,283)	\$ (4,104,741)	(10.37) %
Support services	(3,614,087)	(3,865,086)	(6.49) %
Non-instructional	3,195	(31,538)	(110.13) %
Sixteenth section	(49,568)	(65,560)	(24.39) %
Pension Expense	(496,187)	-	N/A %
Interest on long-term liabilities	(92,092)	(52,770)	74.52 %
<b>Total net (expense) revenue</b>	<b>\$ (7,928,022)</b>	<b>\$ (8,119,695)</b>	<b>(2.36) %</b>

- Net cost of governmental activities (\$7,928,022 for 2015 and \$8,119,695 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$3,810,848 for 2015 and \$3,593,264 for 2014) and state and federal revenues (\$4,124,210 for 2015 and \$4,026,748 for 2014). In addition, there was \$200,746 and \$399,712 in Sixteenth Section sources for 2015 and 2014, respectively.
- Investment earnings amounted to \$6,312 for 2015 and \$18,565 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 \$3,167,358, a decrease

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 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE YEAR ENDED JUNE 30, 2015

of \$213,345, which includes a prior period adjustment of \$960 and includes an increase in inventory of \$5,804. \$901,019 or 28% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$2,266,339 or 72% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$452,816, which includes a fund reclassification of \$615,632 and including a prior period adjustment of \$58,468. The fund balance of Other Governmental Funds showed a decrease in the amount of \$758,420, including a fund reclassification of (\$615,632) and which includes a prior period adjustment of (\$57,455) and an increase in reserve for inventory of \$5,804, due primarily to normal operations. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Fund	No increase or decrease
Title I Improvement Fund	\$ (53)
Title II Fund	No increase or decrease
Three Mill Capital Fund	\$ 66,346
16th Section Principal Fund	\$ 25,966

**BUDGETARY HIGHLIGHTS**

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

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2015, the District's total capital assets were \$6,791,371, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$2,177,250 from 2014. Total accumulated depreciation as of June 30, 2015, was \$3,162,151, and total depreciation expense for the year was \$184,510, resulting in total net capital assets of \$3,629,220.

OKTIBBEHA COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Land	\$ 11,450	\$ 11,450	0.00 %
Buildings	890,154	903,777	(1.51) %
Building improvements	2,119,145	-	N/A %
Improvements other than buildings	42,552	44,916	(5.26) %
Mobile equipment	557,885	641,729	(13.07) %
Furniture and equipment	8,034	10,084	(20.33) %
<b>Total</b>	<b><u>\$ 3,629,220</u></b>	<b><u>\$ 1,611,956</u></b>	<b>125.14 %</b>

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

**Debt Administration.** At June 30, 2015, the District had \$3,808,685 in outstanding long-term debt, of which \$392,001 is due within one year. The liability for compensated absences decreased \$8,294 from the prior year.

**Table 5**  
**Outstanding Long-Term Debt**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Limited obligation refunding bonds payable	\$ 835,000	\$ 1,040,000	(19.71) %
Premium on debt issue	14,653	20,325	(27.91) %
Transportation equipment loans payable	-	336,793	(100.00) %
Obligations under energy efficiency leases	418,783	458,283	(8.62) %
Other loans payable	-	74,329	(100.00) %
Three mill tax notes payable	2,500,000	-	N/A %
Compensated absences payable	40,249	48,543	(17.09) %
<b>Total</b>	<b><u>\$ 3,808,685</u></b>	<b><u>\$ 1,978,273</u></b>	<b>92.53 %</b>

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

## CURRENT ISSUES

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

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting and internal financial controls are 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.

OKTIBBEHA COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

During the 2013 regular session, the Mississippi Legislature passed House Bill 716 which provides for an Administrative consolidation of the Oktibbeha County School District and the Starkville School District into one school district to be designated as Starkville Oktibbeha Consolidated School District effective July 1, 2015. As of July 1, 2015, the Oktibbeha County School District will no longer exist and will be consolidated into the designated Starkville Oktibbeha Consolidated School District.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Starkville Oktibbeha Consolidated School District, 401 Greensboro Street, Starkville, MS 39759.

FINANCIAL STATEMENTS

**OKTIBBEHA COUNTY SCHOOL DISTRICT**

**Statement of Net Position  
June 30, 2015**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 1,691,062
Due from other governments	538,726
Other receivables, net	1,300
Inventories	12,049
Restricted assets	1,402,472
Capital assets, non-depreciable:	
Land	11,450
Capital assets, net of accumulated depreciation:	
Buildings	890,154
Building improvements	2,119,145
Improvements other than buildings	42,552
Mobile equipment	557,885
Furniture and equipment	8,034
Total Assets	<u>7,274,829</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows - pensions	958,268
Total deferred outflows of resources	<u>958,268</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	184,889
Unearned income	293,362
Interest payable on long-term liabilities	67,382
Long-term liabilities, due within one year:	
Capital related liabilities	350,672
Non-capital related liabilities	41,329
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,998,981
Non-capital related liabilities	417,703
Net pension liability	10,074,681
Total Liabilities	<u>14,428,999</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	1,977,847
Total deferred inflows of resources	<u>1,977,847</u>
<b>Net Position</b>	
Invested in capital assets, net of related debt	279,567
Restricted for:	
Expendable:	
School-based activities	124,520
Debt service	560,822
Capital improvements	68,715
Unemployment benefits	43,846
Forestry improvements	91,922
Non-expendable:	
Sixteenth section	1,309,132
Unrestricted	(10,652,273)
Total Net Position	<u>\$ (8,173,749)</u>

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

**OKTIBBEHA COUNTY SCHOOL DISTRICT**

**Statement of Activities**

**Exhibit B**

**For the Year Ended June 30, 2015**

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
<b>Governmental Activities:</b>						
Instruction	\$ 4,268,411	\$ 93,013	\$ 496,115	\$ -	\$ (3,679,283)	
Support services	4,336,316	-	722,229	-	(3,614,087)	
Non-instructional	582,531	38,087	547,639	-	3,195	
Sixteenth section	49,568	-	-	-	(49,568)	
Pension expense	496,187	-	-	-	(496,187)	
Interest on long-term liabilities and other debt service costs	92,092	-	-	-	(92,092)	
<b>Total Governmental Activities</b>	<b>\$ 9,825,105</b>	<b>\$ 131,100</b>	<b>\$ 1,765,983</b>	<b>\$ -</b>	<b>\$ (7,928,022)</b>	
 <b>General Revenues:</b>						
<b>Taxes:</b>						
					3,609,414	
					201,434	
<b>Unrestricted grants and contributions:</b>						
					3,991,157	
					133,053	
					6,312	
					200,746	
					15,199	
					<u>8,157,315</u>	
					<u>229,293</u>	
					3,000,846	
					<u>(11,403,888)</u>	
					<u>(8,403,042)</u>	
					<u>\$ (8,173,749)</u>	

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

**OKTIBBEHA COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**Exhibit C**

**Balance Sheet  
June 30, 2015**

	Major Funds							Total Governmental Funds
	General Fund	Title I Fund	Title I Improvement Fund	Title II Fund	Three Mill Capital Fund	16th Section Principal Fund	Other Governmental Funds	
<b>Assets</b>								
Cash and cash equivalents	\$ 609,174	\$ -	\$ 127,477	\$ 119,694	\$ 170,032	\$ 1,290,583	\$ 664,685	\$ 2,981,645
Cash with fiscal agents	-	-	-	-	-	-	111,889	111,889
Due from other governments	245,783	121,575	-	-	-	-	171,368	538,726
Other receivables, net	1,300	-	-	-	-	-	-	1,300
Due from other funds	166,227	-	-	-	-	-	-	166,227
Advances	-	-	-	-	-	18,549	-	18,549
Inventories	-	-	-	-	-	-	12,049	12,049
<b>Total assets</b>	<b>1,022,484</b>	<b>121,575</b>	<b>127,477</b>	<b>119,694</b>	<b>170,032</b>	<b>1,309,132</b>	<b>959,991</b>	<b>3,830,385</b>

**Liabilities and Fund Balances**

<b>Liabilities:</b>								
Accounts payable and accrued liabilities	\$ 78,046	\$ -	\$ -	\$ -	\$ 103,686	\$ -	\$ 3,157	\$ 184,889
Due to other funds	-	121,575	-	-	-	-	44,652	166,227
Unearned income	-	-	127,477	119,694	-	-	46,191	293,362
Advances	18,549	-	-	-	-	-	-	18,549
<b>Total Liabilities</b>	<b>96,595</b>	<b>121,575</b>	<b>127,477</b>	<b>119,694</b>	<b>103,686</b>	<b>-</b>	<b>94,000</b>	<b>663,027</b>

**Nonspendable:**

Inventory	-	-	-	-	-	-	12,049	12,049
Permanent fund principal	-	-	-	-	-	1,290,583	-	1,290,583
Advances	-	-	-	-	-	18,549	-	18,549

**Restricted:**

Debt service	-	-	-	-	-	-	628,204	628,204
Capital projects	-	-	-	-	66,346	-	2,369	68,715
Grant activities	-	-	-	-	-	-	87,601	87,601
Forestry improvements	-	-	-	-	-	-	91,922	91,922
Unemployment benefits	-	-	-	-	-	-	43,846	43,846

**Assigned:**

Activity funds	24,870	-	-	-	-	-	-	24,870
Unassigned	901,019	-	-	-	-	-	-	901,019

<b>Total Fund Balances</b>	<b>925,889</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>66,346</b>	<b>1,309,132</b>	<b>865,991</b>	<b>3,167,358</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,022,484</b>	<b>\$ 121,575</b>	<b>\$ 127,477</b>	<b>\$ 119,694</b>	<b>\$ 170,032</b>	<b>\$ 1,309,132</b>	<b>\$ 959,991</b>	<b>\$ 3,830,385</b>

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

**OKTIBBEHA COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2015**

**Exhibit C-1**

**Total fund balances for governmental funds** \$ 3,167,358

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

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

Land	\$ 11,450	
Buildings	2,543,595	
Building improvements	2,207,443	
Improvements other than buildings	59,100	
Mobile equipment	1,587,068	
Furniture and equipment	382,715	
Accumulated depreciation	<u>(3,162,151)</u>	3,629,220

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 (10,074,681)

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	958,268	
Deferred inflows of resources related to pensions	<u>(1,977,847)</u>	(11,094,260)

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

Limited obligation refunding bonds	(835,000)	
Limited obligation bonds	(2,500,000)	
Obligations under energy efficiency lease	(418,783)	
Compensated absences	(40,249)	
Unamortized premiums	(14,653)	
Accrued interest payable	<u>(67,382)</u>	(3,876,067)

**Net position of governmental activities** \$ (8,173,749)

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

**OKTIBBEHA COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**Exhibit D**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2015**

	Major Funds						Total Governmental Funds	
	General Fund	Title I Fund	Title I Improvement Fund	Title II Fund	Three Mill Capital Fund	16th Section Principal Fund		Other Governmental Funds
<b>Revenues:</b>								
Local sources	\$ 3,706,527	\$ -	\$ -	\$ -	\$ -	\$ 2,964	\$ 247,536	\$ 3,957,027
State sources	3,784,209	-	-	-	-	-	342,350	4,126,559
Federal sources	133,052	636,774	-	55,761	-	-	938,048	1,763,635
Sixteenth section sources	173,626	-	-	-	-	23,002	10,549	207,177
<b>Total Revenues</b>	<b>7,797,414</b>	<b>636,774</b>	<b>-</b>	<b>55,761</b>	<b>-</b>	<b>25,966</b>	<b>1,538,483</b>	<b>10,054,398</b>
<b>Expenditures:</b>								
Instruction	4,249,273	198,403	-	7,453	-	-	306,044	4,761,173
Support services	3,707,407	408,994	-	45,800	37,771	-	238,161	4,438,133
Noninstructional services	18,784	734	-	-	-	-	599,128	618,646
Sixteenth section	37,433	-	-	-	-	-	12,135	49,568
Facilities acquisition and construction	-	-	-	-	2,207,443	-	-	2,207,443
Debt service:								
Principal	39,500	-	-	-	-	-	616,122	655,622
Interest	21,642	-	-	-	-	-	22,280	43,922
<b>Total Expenditures</b>	<b>8,074,039</b>	<b>608,131</b>	<b>-</b>	<b>53,253</b>	<b>2,245,214</b>	<b>-</b>	<b>1,793,870</b>	<b>12,774,507</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(276,625)	28,643	-	2,508	(2,245,214)	25,966	(255,387)	(2,720,109)
<b>Other Financing Sources (Uses):</b>								
Bonds and notes issued	-	-	-	-	-	-	2,500,000	2,500,000
Operating transfers in	154,656	-	-	-	2,311,560	-	1,122,505	3,588,721
Operating transfers out	(99,315)	(28,643)	-	(2,508)	-	-	(3,458,255)	(3,588,721)
Other financing uses	-	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>55,341</b>	<b>(28,643)</b>	<b>-</b>	<b>(2,508)</b>	<b>2,311,560</b>	<b>-</b>	<b>164,250</b>	<b>2,500,000</b>
<b>Net Change in Fund Balances</b>	<b>(221,284)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>66,346</b>	<b>25,966</b>	<b>(91,137)</b>	<b>(220,109)</b>
<b>Fund Balances:</b>								
July 1, 2014, as previously reported	473,073	-	53	-	-	1,283,166	1,624,411	3,380,703
Prior period adjustments	58,468	-	(53)	-	-	-	(57,455)	960
Fund reclassification	615,632	-	-	-	-	-	(615,632)	-
July 1, 2014, as restated	1,147,173	-	-	-	-	1,283,166	951,324	3,381,663
Increase (Decrease) in reserve for inventory	-	-	-	-	-	-	5,804	5,804
<b>June 30, 2015</b>	<b>\$ 925,889</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 66,346</b>	<b>\$ 1,309,132</b>	<b>\$ 865,991</b>	<b>\$ 3,167,358</b>

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

**OKTIBBEHA COUNTY SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2015**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ (220,109)

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

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 2,207,443	
Depreciation expense	<u>(184,510)</u>	2,022,933

2. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Bonds and notes issued	(2,500,000)	
Payments of debt principal	655,622	
Accrued interest payable	<u>(53,842)</u>	(1,898,220)

3. The statement of activities reports pension expense and other activity related to net pension liability:

Pension expense	(496,187)	
Contributions made after the measurement date	<u>801,106</u>	304,919

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 governmental funds. These activities include:

Change in compensated absences	8,294	
Amortization of premium	5,672	
Change in inventory reserve	<u>5,804</u>	19,770

<b>Change in net position of governmental activities</b>	<b>\$ <u>229,293</u></b>
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The notes to the financial statements are an integral part of this statement.

OKTIBBEHA COUNTY SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities

Exhibit E

June 30, 2015

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 450,590
Total Assets	<u>\$ 450,590</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 450,590
Total Liabilities	<u>\$ 450,590</u>

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

OKTIBBEHA COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For 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. Basis of Presentation**

In June 2012, the GASB issued GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, note disclosure and required supplementary information requirements about pensions also are addressed. This Statement is effective for fiscal years beginning after June 15, 2014.

**B. 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 conservator of the Mississippi Department of Education due to poor student performance and other accreditation issues.

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

**C. 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:

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.

OKTIBBEHA COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

1. 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.
2. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The school district reports the following major governmental funds:

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

Title I Fund - This is a special revenue fund that accounts for the revenues and expenditures associated with the Title I grants that the district receives.

Title I Improvement Fund - This is a special revenue fund that accounts for the revenues and expenditures associated with the Title I Improving Instructional Services federal award grants the district receives.

Title II Fund - This is a special revenue fund that accounts for the revenues and expenditures associated with the Improving Teacher Quality federal award grants the district receives.

Three Mill Capital Fund - This is a capital projects fund that accounts for the proceeds of bonds and expenditures associated with capital improvement activities.

16<sup>th</sup> Section Principal Fund - This is a permanent fund that accounts for the nonexpendable revenues derived from the district's sixteenth section lands.

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

The District's fiduciary funds include the following:

Accounts Payable Clearing Fund - This fund is used to report the accounts payable resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Payroll Clearing Fund - This fund is used to report the payroll resources held by the district in a

OKTIBBEHA COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Student Club Fund Agency Funds – These funds are used to report student club resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

**D. 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.

OKTIBBEHA COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

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

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

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

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

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

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

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.

**E. Encumbrances**

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

**F. 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

OKTIBBEHA COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

selected by the school board. State statutes specify how these depositories are to be selected.

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

OKTIBBEHA COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

6. Capital Assets

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

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	*	*

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The district reports \$958,268 of deferred outflows related to its pension plan.

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 reports \$1,977,847 of deferred inflows related to its pension plan.

OKTIBBEHA COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

See Note 8 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

11. 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.

OKTIBBEHA COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

*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.

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

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

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

**Note 2 – Cash and Cash Equivalents and Cash with Fiscal Agents**

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

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

**Cash and Cash Equivalents**

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$2,981,645 and \$450,590, respectively.

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

OKTIBBEHA COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

name of the Mississippi State Treasurer on behalf of the district

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$111,889.

**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	Title I fund	\$ 121,575
	Other governmental funds	44,652
Total		<u>\$ 166,227</u>

The purpose of the inter-fund loans was to cover federal and state funds not received prior to year-end and amounts due from and amounts due to agency funds.

**B. Advances To/From Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Sixteenth section principal fund	General fund	\$ 18,549
Total		<u>\$ 18,549</u>

Advances were for cash flow purposes.

Note: The sixteenth section principal loans payable are not reflected on the statement of net position because these funds were borrowed by the general fund from the sixteenth section principal fund (permanent fund) in accordance with Section 29-3-113, Miss. Code Ann. (1972). The revenues and expenditures associated with these transactions were reflected on the Statement of Revenues, Expenditures and Changes in Fund Balance.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 18,549	\$ 415	\$ 18,964
Total	<u>\$ 18,549</u>	<u>\$ 415</u>	<u>\$ 18,964</u>

OKTIBBEHA COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

**C. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General fund	Other governmental funds	\$ 99,315
Title I fund	General fund	28,643
Title II fund	General fund	2,508
Other governmental funds	General fund	123,505
	Three Mill Capital fund	2,311,560
	Other governmental funds	<u>1,023,190</u>
Total		<u>\$ 3,588,721</u>

The transfers constitute transfers of indirect costs from special revenue funds to the General Fund and operating transfers between governmental funds.

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance, totaling \$1,290,583, of the Sixteenth Section Principal Fund (Permanent Fund), the cash with fiscal agents balance, totaling \$111,889, of the MAEP Debt Retirement Fund, which is legally restricted and may not be used for purposes that support the district's programs. Total restricted assets reported on the Statement of Net Position is \$1,402,472.

OKTIBBEHA COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

**Note 5 – Capital Assets**

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

	Balance 7/1/2014	Increases	Decreases	Adjustments	Balance 6/30/2015
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 11,450	\$ -	\$ -	\$ -	\$ 11,450
Total non-depreciable capital assets	11,450	-	-	-	11,450
<u>Depreciable capital assets:</u>					
Buildings	2,543,595	-	-	-	2,543,595
Building improvements	-	2,207,443	-	-	2,207,443
Improvements other than buildings	59,100	-	-	-	59,100
Mobile equipment	1,640,651	-	-	(53,583)	1,587,068
Furniture and equipment	359,325	-	-	23,390	382,715
Total depreciable capital assets	4,602,671	2,207,443	-	(30,193)	6,779,921
<u>Less accumulated depreciation for:</u>					
Buildings	1,639,818	13,623	-	-	1,653,441
Buildings improvements	-	88,298	-	-	88,298
Improvements other than buildings	14,184	2,364	-	-	16,548
Mobile equipment	998,922	78,486	-	(48,225)	1,029,183
Furniture and equipment	349,241	1,739	-	23,701	374,681
Total accumulated depreciation	3,002,165	184,510	-	(24,524)	3,162,151
Total depreciable capital assets, net	1,600,506	2,022,933	-	(5,669)	3,617,770
Governmental activities capital assets, net	\$ 1,611,956	\$ 2,022,933	\$ -	\$ (5,669)	\$ 3,629,220

Adjustments were made in order to account for dispositions not accounted for in a prior period.

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 15,362
Support services	169,148
Total depreciation expense - Governmental activities	\$ 184,510

OKTIBBEHA COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015	Amounts due within one year
A. Limited obligation refunding bonds payable	\$ 1,040,000	\$ -	(205,000)	\$ 835,000	\$ 205,000
Premium on debt issues	20,325	-	(5,672)	14,653	5,672
B. Transportation equipment loans payable	336,793	-	(336,793)	-	-
C. Obligations under energy efficiency leases	458,283	-	(39,500)	418,783	41,329
D. Other loans payable	74,329	-	(74,329)	-	-
E. Three mill notes payable	-	2,500,000	-	2,500,000	140,000
F. Compensated absences payable	48,543	-	(8,294)	40,249	-
<b>Total</b>	<b>\$ 1,978,273</b>	<b>\$ 2,500,000</b>	<b>\$ (669,588)</b>	<b>\$ 3,808,685</b>	<b>\$ 392,001</b>

**A. Limited obligations refunding bonds payable.**

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds, Series 2011	2.00%	10/28/2011	2/1/2018	\$ 1,345,000	\$ 835,000
<b>Total</b>				<b>\$ 1,345,000</b>	<b>\$ 835,000</b>

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 205,000	\$ 14,650	\$ 219,650
2017	220,000	10,400	230,400
2018	410,000	6,000	416,000
<b>Total</b>	<b>\$ 835,000</b>	<b>\$ 31,050</b>	<b>\$ 866,050</b>

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage.

This debt will be retired from the MAEP Debt Service Fund.

OKTIBBEHA COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

**B. Transportation equipment loans payable**

This debt was retired during the year.

**C. Obligations under energy efficiency lease**

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
All American Investment Group - Energy Efficiency Improvements	4.55%	6/12/2008	11/5/2023	\$ 630,470	\$ 418,783
<b>Total</b>				<u>\$ 630,470</u>	<u>\$ 418,783</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 41,329	\$ 18,356	\$ 59,685
2017	43,241	16,443	59,684
2018	45,243	14,442	59,685
2019	47,337	12,348	59,685
2020	49,527	10,158	59,685
2021-2024	192,106	16,790	208,896
<b>Total</b>	<u>\$ 418,783</u>	<u>\$ 88,537</u>	<u>\$ 507,320</u>

This debt will be retired from the District Maintenance Fund..

An energy efficiency lease agreement dated June 12, 2008 was executed by and between the district, the lessee, and Suntrust Financial Services, the lessor.

The agreement authorized the borrowing of \$630,470 for the purchase of energy efficiency equipment, machinery, supplies, building modifications and other energy saving items. Payments of the lease shall be made from the district maintenance fund and not exceed fifteen (15) years.

The district entered into this energy efficiency lease agreement under the authority of Section 31-7-14, Miss. Code Ann. (1972).

Upon written notice to the lessor, the lessee has the option of repaying the total amount due as set forth by the agreement.

OKTIBBEHA COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

**D. Other loans payable**

The debt was retired during the year.

**E. Three mill notes payable**

Three mill notes payable direct obligations and pledge the full faith and credit of the school district. Three mill notes payable currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Note, Series 2014	1.46%-3.63%	26-Aug-14	26-Aug-29	\$ 2,500,000	\$ 2,500,000

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 140,000	68,563	208,563
2017	145,000	66,519	211,519
2018	150,000	64,040	214,040
2019	155,000	61,055	216,055
2020	160,000	57,598	217,598
2021-2025	825,000	226,978	1,051,978
2026-2030	925,000	98,185	1,023,185
Total	\$ 2,500,000	642,938	3,142,938

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

**F. Compensated absences payable**

As more fully explained in Note 1(F)(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.

## OKTIBBEHA COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2015

#### **Note 7 – Prior Year Defeasance of Debt**

In prior years, the Oktibbeha County School District defeased certain limited obligation notes payable by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and liabilities for the defeased bonds and notes are not included in the district's financial statements. On June 30, 2015, \$795,000 of notes is defeased.

#### **Note 8 – Defined Benefit Pension Plan**

##### **General Information about the Pension Plan**

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

*Benefits provided.* Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. 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 \$801,106, \$794,046, and \$764,838, respectively, which equaled the required contributions for each year.

OKTIBBEHA COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

**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 \$10,074,681 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 .083 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$496,187. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 157,162	\$ -
Net difference between projected and actual earnings on pension plan investments	-	1,460,399
Changes of assumptions	-	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	517,448
District contributions subsequent to the measurement date	801,106	-
Total	<u>\$ 958,268</u>	<u>\$ 1,977,847</u>

\$801,106 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	\$ (494,699)
2017	(494,699)
2018	(466,188)
2019	(365,099)
Total	<u>\$ (1,820,685)</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

OKTIBBEHA COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34 %	5.20 %
International Equity	19	5.00
Emerging Markets Equity	8	5.45
Fixed Income	20	0.25
Real Assets	10	4.00
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 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	\$ 13,734,794	\$ 10,074,681	\$ 7,021,602

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

OKTIBBEHA COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

**Note 9 – Sixteenth Section Lands**

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

Year Ending June 30	Amount
2016	133,898
2017	123,397
2018	112,480
2019	110,323
2020	107,573
2021-2025	525,288
2026-2030	736,991
Thereafter	748,852
Total	<u>\$ 2,598,802</u>

**Note 10 – Prior Period Adjustments**

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Implementation of GASB 68 and 71:	
Net pension liability (measurement date)	\$ (12,193,225)
Deferred outflows - contributions made during fiscal year 2014	<u>794,046</u>
Total prior period adjustment related to GASB 68 and 71	(11,399,179)
2. To balance capital assets to subsidiary	(5,669)
3. To correct beginning balance sheet accounts	<u>960</u>
Total	<u>\$ (11,403,888)</u>

OKTIBBEHA COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2015

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

Fund	Explanation	Amount
General Fund	Correct various beginning balance sheet accounts.	\$ 58,468
Title I Improvement fund	Correct various beginning balance sheet accounts.	(53)
Other governmental funds	Correct various beginning balance sheet accounts.	(57,455)
Total		<u>\$ 960</u>

**Note 11 – Fund Reclassification**

The Sixteenth Section Interest Fund's beginning fund balance of \$615,632 was reclassified from Special Revenue Funds to the General Fund, effective July 1, 2014. This change was necessary to meet the requirements of GASB 54 and to stay in compliance with the reporting requirements based on Sections 29-3-115 and 29-3-117, Miss. Code of 1972.

**Note 12 – Contingencies**

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

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

**Note 13 – Risk Management**

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

**Participation in Public Entity Risk Pool**

The school district is a member of the Mississippi School Boards Association Workers' Compensation

## OKTIBBEHA COUNTY SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2015

Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 77 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

#### **Note 14 – Effect of Deferred Amounts on Net Position**

The unrestricted net position amount of \$(10,652,273) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$958,268 balance of the deferred outflow of resources at June 30, 2015 will be recognized as expenses and decrease unrestricted net position over the next 3 years.

The unrestricted net position amount of \$(10,652,273) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$1,977,847 balance of the deferred inflow of resources at June 30, 2015 will be recognized as revenue and increase unrestricted net position over the next 4 years.

#### **Note 15 - Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Oktibbeha County School District evaluated the activity of the district through August 25, 2015, (the date the financial statements were available to be issued), and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements:

During the 2013 regular session, the Mississippi Legislature passed House Bill 716 which provides for an Administrative consolidation of the Oktibbeha County School District and the Starkville School District into one school district to be designated as Starkville Oktibbeha Consolidated School District effective July 1, 2015. As of July 1, 2015, the Oktibbeha County School District will no longer exist and will be consolidated into the designated Starkville Oktibbeha Consolidated School District.

REQUIRED SUPPLEMENTARY INFORMATION

**OKTIBBEHA COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 3,786,727	\$ 3,706,527	\$ 3,706,527	\$ (80,200)	\$ -
State sources	3,807,180	3,784,209	3,784,209	(22,971)	-
Federal sources	334,500	165,985	133,052	(168,515)	(32,933)
Sixteenth section sources	-	173,625	173,626	173,625	1
<b>Total Revenues</b>	<b>7,928,407</b>	<b>7,830,346</b>	<b>7,797,414</b>	<b>(98,061)</b>	<b>(32,932)</b>
<b>Expenditures:</b>					
Instruction	4,421,118	4,247,847	4,249,273	173,271	(1,426)
Support services	3,740,407	3,707,407	3,707,407	33,000	-
Noninstructional services	28,328	20,209	18,784	8,119	1,425
Sixteenth section	-	37,433	37,433	(37,433)	-
Debt service:					
Principal	28,263	39,500	39,500	(11,237)	-
Interest	3,331	21,642	21,642	(18,311)	-
<b>Total Expenditures</b>	<b>8,221,447</b>	<b>8,074,038</b>	<b>8,074,039</b>	<b>147,409</b>	<b>(1)</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(293,040)	(243,692)	(276,625)	49,348	(32,933)
<b>Other Financing Sources (Uses):</b>					
Insurance recovery	1,000	-	-	(1,000)	-
Operating transfers in	1,214,754	1,775,957	154,656	561,203	(1,621,301)
Operating transfers out	(922,714)	(1,720,616)	(99,315)	(797,902)	1,621,301
<b>Total Other Financing Sources (Uses)</b>	<b>293,040</b>	<b>55,341</b>	<b>55,341</b>	<b>(237,699)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>(188,351)</b>	<b>(221,284)</b>	<b>(188,351)</b>	<b>(32,933)</b>
<b>Fund Balances:</b>					
July 1, 2014, as previously reported	497,151	473,074	473,073	(24,077)	(1)
Prior period adjustments	-	25,535	58,468	25,535	32,933
Reclassify fund type	-	615,631	615,632	615,631	1
July 1, 2014, as restated	497,151	1,114,240	1,147,173	617,089	32,933
June 30, 2015	\$ 497,151	\$ 925,889	\$ 925,889	\$ 428,738	\$ -

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

**OKTIBBEHA COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**Title I Fund**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 977,201	\$ 861,118	\$ 636,774	\$ (116,083)	\$ (224,344)
Total Revenues	977,201	861,118	636,774	(116,083)	(224,344)
<b>Expenditures:</b>					
Instruction	206,444	157,362	198,403	49,082	(41,041)
Support services	727,689	659,145	408,994	68,544	250,151
Non instructional	11,467	8,611	734	2,856	7,877
Total Expenditures	945,600	825,118	608,131	120,482	216,987
Excess (Deficiency) of Revenues over (under) Expenditures	31,601	36,000	28,643	4,399	(7,357)
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(31,601)	(36,000)	(28,643)	(4,399)	7,357
Total Other Financing Sources (Uses)	(31,601)	(36,000)	(28,643)	(4,399)	7,357
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2014	-	-	-	-	-
June 30, 2015	\$ -	\$ -	\$ -	\$ -	\$ -

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

**OKTIBBEHA COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**Title I Improvement Fund**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 10,842	\$ 277,194	\$ -	\$ 266,352	\$ (277,194)
Total Revenues	10,842	277,194	-	266,352	(277,194)
<b>Expenditures:</b>					
Instruction	10,742	45,717	-	(34,975)	45,717
Support services	100	231,477	-	(231,377)	231,477
Total Expenditures	10,842	277,194	-	(266,352)	277,194
Excess (Deficiency) of Revenues over (under) Expenditures	-	-	-	-	-
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balances	-	-	-	-	-
<b>Fund Balances:</b>					
July 1, 2014, as previously reported	-	-	53	-	53
Prior period adjustments	-	-	(53)	-	(53)
July 1, 2014, as restated	-	-	-	-	-
June 30, 2015	\$ -	\$ -	\$ -	\$ -	\$ -

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

**OKTIBBEHA COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**Title II Fund**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 65,642	\$ 136,433	\$ 55,761	\$ 70,791	\$ (80,672)
Total Revenues	65,642	136,433	55,761	70,791	(80,672)
<b>Expenditures:</b>					
Instruction	48,511	41,000	7,453	7,511	33,547
Support services	17,131	95,433	45,800	(78,302)	49,633
Total Expenditures	65,642	136,433	53,253	(70,791)	83,180
Excess (Deficiency) of Revenues over (under) Expenditures	-	-	2,508	-	2,508
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	-	-	(2,508)	-	(2,508)
Total Other Financing Sources (Uses)	-	-	(2,508)	-	(2,508)
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2014	-	-	-	-	-
June 30, 2015	\$ -	\$ -	\$ -	\$ -	\$ -

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

**OKTIBBEHA COUNTY SCHOOL DISTRICT**

**Required Supplementary Information**

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

**PERS**

**Last 10 Fiscal Years\***

	<b>2015</b>
District's proportion of the net pension liability	\$ 10,074,681
District's proportionate share of the net pension liability	0.083%
District's covered-employee payroll	\$ 5,041,562
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	200%
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.

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

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

OKTIBBEHA COUNTY SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

PERS

Last 10 Fiscal Years\*

	<u>2015</u>
Contractually required contribution	\$ 801,106
Contributions in relation to the contractually required contribution	801,106
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 5,086,387
Contributions as a percentage of covered-employee payroll	15.75%

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

OKTIBBEHA COUNTY SCHOOL DISTRICT

Notes to the Required Supplementary Information  
For the Year Ended June 30, 2015

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) Changes of benefit terms

None.

(2) Changes of assumptions

None.

SUPPLEMENTARY INFORMATION

**OKTIBBEHA COUNTY SCHOOL DISTRICT**  
**Supplementary Information**

**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2015**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 201,352
National school lunch program	10.555	421,915
Total child nutrition cluster		<u>623,267</u>
Total passed-through Mississippi Department of Education		<u>623,267</u>
<b>Total U.S. Department of Agriculture</b>		<u><u>623,267</u></u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	74,298
<b>Total Federal Communications Commission</b>		<u>74,298</u>
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	636,774
Twenty-first century community learning centers	84.287	75,415
Rural education	84.358	22,516
Improving teacher quality-State Grants	84.367	55,761
Subtotal		<u>790,466</u>
Special education cluster:		
Special education - grants to states	84.027	210,852
Special education - preschool grants	84.173	10,713
Total special education cluster		<u>221,565</u>
Total passed-through Mississippi Department of Education		<u>1,012,031</u>
<b>Total U.S. Department of Education</b>		<u><u>1,012,031</u></u>
<b><u>U.S. Department of Health and Human Services</u></b>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	8,841
Total passed-through Mississippi Department of Education		<u>8,841</u>
<b>Total U.S. Department of Health and Human Services</b>		<u>8,841</u>
Total for All Federal Awards		<u><u>\$ 1,718,437</u></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.
4. Donated commodities of \$37,708 are included in the National School Lunch Program.

**OKTIBBEHA COUNTY SCHOOL DISTRICT**

**Supplementary Information**

**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	\$ 7,022,110	4,988,937	416,360	389,839	1,226,974
Other	5,752,397	703,973	721,343	67,125	4,259,956
<b>Total</b>	<b>\$ 12,774,507</b>	<b>5,692,910</b>	<b>1,137,703</b>	<b>456,964</b>	<b>5,486,930</b>
<b>Total number of students *</b>	<b>815</b>				
<b>Cost per student</b>	<b>\$ 15,674</b>	<b>6,985</b>	<b>1,396</b>	<b>561</b>	<b>6,732</b>

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

**OKTIBBEHA COUNTY SCHOOL DISTRICT**

**Other Information**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**General Fund**

**Last Four Years**

**UNAUDITED**

	2015	2014*	2013*	2012*
<b>Revenues:</b>				
Local sources	\$ 3,706,527	\$ 3,510,014	\$ 3,498,917	\$ 3,544,453
State sources	3,784,209	3,710,872	4,103,558	3,975,765
Federal sources	133,052	140,256	167,162	165,575
Sixteenth section sources	173,626	-	-	-
<b>Total Revenues</b>	<b>7,797,414</b>	<b>7,361,142</b>	<b>7,769,637</b>	<b>7,685,793</b>
<b>Expenditures:</b>				
Instruction	4,249,273	4,096,248	4,276,060	4,103,903
Support services	3,707,407	3,949,463	3,928,806	4,278,311
Noninstructional services	18,784	25,923	28,282	45,397
Sixteenth section	37,433	-	-	-
Debt service:				
Principal	39,500	37,753	36,083	34,487
Interest	21,642	24,593	27,396	30,080
<b>Total Expenditures</b>	<b>8,074,039</b>	<b>8,133,980</b>	<b>8,296,627</b>	<b>8,492,178</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>(276,625)</b>	<b>(772,838)</b>	<b>(526,990)</b>	<b>(806,385)</b>
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	-	-	884	62,638
Sale of transportation equipment	-	-	18,058	-
Operating transfers in	154,656	792,550	511,058	758,729
Operating transfers out	(99,315)	(146,334)	(110,497)	(297,584)
<b>Total Other Financing Sources (Uses)</b>	<b>55,341</b>	<b>646,216</b>	<b>419,503</b>	<b>523,783</b>
<b>Net Change in Fund Balances</b>	<b>(221,284)</b>	<b>(126,622)</b>	<b>(107,487)</b>	<b>(282,602)</b>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	473,073	599,695	629,445	882,906
Prior period adjustments	58,468	-	77,737	29,141
Fund reclassification	615,632	-	-	-
Beginning of period, as restated	<b>1,147,173</b>	<b>599,695</b>	<b>707,182</b>	<b>912,047</b>
<b>End of Period</b>	<b>\$ 925,889</b>	<b>\$ 473,073</b>	<b>\$ 599,695</b>	<b>\$ 629,445</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**OKTIBBEHA COUNTY SCHOOL DISTRICT**

**Other Information**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**All Governmental Funds**

**Last Four Years**

**UNAUDITED**

	2015	2014*	2013*	2012*
<b>Revenues:</b>				
Local sources	\$ 3,957,027	\$ 3,755,366	\$ 3,766,282	\$ 3,794,632
State sources	4,126,559	4,018,315	4,454,117	4,332,301
Federal sources	1,763,635	1,845,886	2,242,177	2,173,446
Sixteenth section sources	207,177	455,679	300,982	309,130
<b>Total Revenues</b>	<b>10,054,398</b>	<b>10,075,246</b>	<b>10,763,558</b>	<b>10,609,509</b>
<b>Expenditures:</b>				
Instruction	4,761,173	4,839,073	4,985,924	4,996,222
Support services	4,438,133	4,496,024	4,858,125	5,112,276
Noninstructional services	618,646	650,061	682,705	678,521
Sixteenth section	49,568	110,434	109,372	62,035
Facilities acquisition and construction	2,207,443	-	-	-
Debt service:				
Principal	655,622	363,755	204,425	285,596
Interest	43,922	65,131	73,616	101,734
Other	-	-	1,550	14,000
<b>Total Expenditures</b>	<b>12,774,507</b>	<b>10,524,478</b>	<b>10,915,717</b>	<b>11,250,384</b>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(2,720,109)</u>	<u>(449,232)</u>	<u>(152,159)</u>	<u>(640,875)</u>
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	2,500,000	-	-	461,000
Insurance recovery	-	-	884	62,638
Refunding bonds issued	-	-	-	1,345,000
Premiums on bonds issued	-	-	-	35,746
Payment to refunded bond escrow agent	-	-	-	(1,325,000)
Sale of transportation equipment	-	-	18,058	-
Operating transfers in	3,588,721	938,884	660,447	1,056,313
Operating transfers out	(3,588,721)	(938,884)	(660,447)	(1,056,313)
Other financing uses	-	-	(1)	-
<b>Total Other Financing Sources (Uses)</b>	<b>2,500,000</b>	<b>-</b>	<b>18,941</b>	<b>579,384</b>
<b>Net Change in Fund Balances</b>	<b><u>(220,109)</u></b>	<b><u>(449,232)</u></b>	<b><u>(133,218)</u></b>	<b><u>(61,491)</u></b>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	3,380,703	3,850,626	3,908,943	3,942,648
Prior period adjustments	960	(17,114)	77,737	25,397
Beginning of period, as restated	<u>3,381,663</u>	<u>3,833,512</u>	<u>3,986,680</u>	<u>3,968,045</u>
Increase (Decrease) in reserve for inventory	<u>5,804</u>	<u>(3,577)</u>	<u>(2,836)</u>	<u>2,389</u>
<b>End of Period</b>	<b><u>\$ 3,167,358</u></b>	<b><u>\$ 3,380,703</u></b>	<b><u>\$ 3,850,626</u></b>	<b><u>\$ 3,908,943</u></b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

**CUNNINGHAM CPAs, PLLC**  
Certified Public Accountants & Consultants

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Superintendent and School Board  
Starkville Oktibbeha Consolidated School District  
Starkville, 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 Oktibbeha County School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Oktibbeha County School District's basic financial statements, and have issued our report thereon dated August 25, 2015.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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 Oktibbeha County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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



Cunningham CPAs, PLLC

Belzoni, Mississippi

August 25, 2015

CUNNINGHAM CPAs, PLLC  
Certified Public Accountants & Consultants

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

Superintendent and School Board  
Starkville Oktibbeha Consolidated School District  
Starkville, Mississippi

**Report on Compliance for Each Major Federal Program**

We have audited the Oktibbeha County School District's 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 Oktibbeha County School District's major federal programs for the year ended June 30, 2015. Oktibbeha County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with 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 Oktibbeha County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Oktibbeha County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Basis for Qualified Opinion on CFDA 84.367 Improving Teacher Quality***

As described in the accompanying schedule of findings and questioned costs, the Oktibbeha County School District did not comply with requirements regarding CFDA 84.367 Improving Teacher Quality as described in finding numbers 2015-1 for Cash Management and 2015-2 for Questioned Costs. Compliance with such requirements is necessary, in our opinion, for the Oktibbeha County School District to comply with the requirements applicable to that program.

**Qualified Opinion on CFDA 84.367 Improving Teacher Quality CFDA**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Oktibbeha County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 84.367 Improving Teacher Quality for the year ended June 30, 2015.

**Basis for Qualified Opinion on CFDA 84.027 and 84.173 Special Education Cluster**

As described in the accompanying schedule of findings and questioned costs, the Oktibbeha County School District did not comply with requirements regarding CFDA 84.027 and 84.173 Special Education Cluster as described in finding number 2015-3 for Cash Management. Compliance with such requirements is necessary, in our opinion, for the Oktibbeha County School District to comply with the requirements applicable to that program.

**Qualified Opinion on CFDA 84.027 and 84.173 Special Education Cluster**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Oktibbeha County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 84.027 and 84.173 Special Education Cluster for the year ended June 30, 2015.

**Unmodified Opinion on Each of the Other Major Federal Programs**

In our opinion, the Oktibbeha County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

**Report on Internal Control over Compliance**

Management of the Oktibbeha County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Oktibbeha County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Oktibbeha County School District's internal control over compliance.

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-1, 2015-2 and 2015-3 to be material weaknesses.

Oktibbeha County School District's responses to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Oktibbeha County

School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

A handwritten signature in blue ink that reads "Cunningham CPAs". The signature is written in a cursive style.

Cunningham CPAs, PLLC

Belzoni, Mississippi

August 25, 2015

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

**CUNNINGHAM CPAs, PLLC**  
Certified Public Accountants & Consultants

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

Superintendent and School Board  
Starkville Oktibbeha Consolidated School District  
Starkville, Mississippi

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Oktibbeha County School District as of and for the year ended June 30, 2015, which collectively comprise Oktibbeha County School District's basic financial statements and have issued our report thereon dated August 25, 2015. 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 no 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 the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

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

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



Cunningham CPAs, PLLC

Belzoni, Mississippi

August 25, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OKTIBBEHA COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015

Section I: Summary of Auditor's Results

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- |    |  |               |
|----|--|---------------|
| 4. | Internal control over major programs:  |               |
|    | a. Material weakness(es) identified?   | Yes           |
|    | b. Significant deficiency(ies) identified?   | None reported |
| 5. | Type of auditor's report issued on compliance for major programs:  |               |
|    | Child Nutrition Cluster  | Unmodified    |
|    | Special Education Cluster  | Modified      |
|    | Improving Teacher Quality  | Modified      |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | Yes           |
| 7. | Identification of major programs:  |               |
|    | A. Child Nutrition Cluster:  |               |
|    | School Breakfast Program           CFDA #  | 10.553        |
|    | National School Lunch Program   CFDA #   | 10.555        |
|    | B. Special Education Cluster:  |               |
|    | Grants to states                   CFDA #  | 84.027        |
|    | Preschool                           CFDA #   | 84.173        |
|    | C. Improving Teacher Quality       CFDA#   | 84.367        |
| 8. | Dollar threshold used to distinguish between type A and type B programs:   | \$ 300,000    |
| 9. | Auditee qualified as a low-risk auditee?   | No            |

OKTIBBEHA COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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

Deficiencies considered to be a material weaknesses

Material Noncompliance

2015-1 Finding

Program: Improving Teacher Quality CFDA # 84.367

Compliance Requirement: Cash Management

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

The district's records indicate excess fund balances in the Improving Teacher Quality Grant for 12 months out of the year due to the district requesting funds in excess of its immediate needs. At June 30, 2015, the district had \$119,694 in unearned revenue as a result of these cash advances.

Requesting funds in excess of the district's immediate needs could jeopardize future funding for this program.

Recommendation

We recommend the district implement policies and procedures to ensure compliance with the cash management requirement for federal program funds, which requires the district to request funds in a manner that will minimize the amount of time the federal funds will be held by the district prior to disbursement.

2015-2 Finding

Program: Improving Teacher Quality CFDA # 84.367

Compliance Requirement: Questioned Costs

During our testing, we noted \$33,169 in expenditures that exceeded budgeted amounts for contractual services. Expenditures in excess of the approved budget could result in questioned costs and be subject to reimbursement by the District.

Recommendation

We recommend the district implement policies and procedures to ensure that funds are spent in accordance with the approved program budget.

OKTIBBEHA COUNTY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015

2015-3 Finding

Program: Special Education Cluster CFDA # 84.027 and 84.173

Compliance Requirement: Cash Management

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

The district's records indicate excess fund balances in the Special Education Cluster for 12 months out of the year due to the district requesting funds in excess of its immediate needs. At June 30, 2015, the district had \$46,191 in unearned revenue as a result of these cash advances.

Requesting funds in excess of the district's immediate needs could jeopardize future funding for this program.

Recommendation

We recommend the district implement policies and procedures to ensure compliance with the cash management requirement for federal program funds, which requires the district to request funds in a manner that will minimize the amount of time the federal funds will be held by the district prior to disbursement.

# Oktibbeha County School District

106 West Main Street  
Starkville, Mississippi 39759

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## AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section .315(c) of OMB Circular A-133, the Oktibbeha County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2015:

<u>Finding</u>	<u>Correction Action Plan Details</u>
2015-1	<p>a. Name of Contact Person Responsible for Corrective Action: Tammie McGarr, Business Manager, Starkville Oktibbeha School District</p> <p>b. Corrective Action Planned: The Starkville Oktibbeha School District will put procedures in place to ensure that cash draws of federal funds are for immediate needs only.</p> <p>c. Anticipated Completion Date: Immediately.</p>
2015-2	<p>a. Name of Contact Person Responsible for Corrective Action: Tammie McGarr, Business Manager, Starkville Oktibbeha School District</p> <p>b. Corrective Action Planned: The Starkville Oktibbeha School District will put procedures in place to ensure that federal expenditures are made in accordance with the approved budget.</p> <p>c. Anticipated Completion Date: Immediately.</p>
2015-3	<p>a. Name of Contact Person Responsible for Corrective Action: Tammie McGarr, Business Manager, Starkville Oktibbeha School District</p> <p>b. Corrective Action Planned: The Starkville Oktibbeha School District will put procedures in place to ensure that cash draws of federal funds are for immediate needs only.</p> <p>c. Anticipated Completion Date: Immediately.</p>