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Pontotoc County School District
Audited Financial Statements
For the Year Ended June 30, 2015

Fortenberry & Ballard, PC
Certified Public Accountants

Pontotoc County School District
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Pontotoc County School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pontotoc 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 Pontotoc 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 District'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 Pontotoc 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 and the Schedules of the District's Proportionate Share of the Net Pension Liability and of the District's Contributions on pages 8 to 19 and 56 to 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pontotoc 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 dated December 14, 2015, on our consideration of the Pontotoc 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 Pontotoc County School District's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
December 14, 2015

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following discussion and analysis of Pontotoc 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 \$29,783,335, including a prior period adjustment of (\$30,214,287), which represents a 292.10% decrease from fiscal year 2014. Total net position for 2014 decreased \$1,041,075, which represents a 9.26% decrease from fiscal year 2013.
- General revenues amounted to \$23,129,278 and \$21,905,358, or 82.37% and 81.56% 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 \$4,948,841, or 17.63% of total revenues for 2015, and \$4,952,492, or 18.44% of total revenues for 2014.
- The District had \$27,647,167 and \$27,898,925 in expenses for fiscal years 2015 and 2014; only \$4,948,841 for 2015 and \$4,952,492 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$23,129,278 for 2015 were adequate to provide for these programs, and general revenues of \$21,905,358 for 2014 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$22,534,126 in revenues and \$23,516,778 in expenditures for 2015, and \$21,226,298 in revenues and \$22,247,804 in expenditures in 2014. The General Fund's fund balance increased by \$621,833 from 2014 to 2015, and decreased by \$389,271 from 2013 to 2014.
- Capital assets, net of accumulated depreciation, increased by \$347,962 for 2015 and decreased by \$404,380 for 2014. The increase for 2015 was due to the addition in leased property of two vans and eleven buses in the amount of \$915,526 coupled with the increase in accumulated depreciation.
- Long-term debt increased by \$871,544 for 2015 and increased by \$30,292 for 2014. This increase for 2015 was due primarily to the issuance of obligations under capital leases in the amount of \$1,275,021, issuance of shortfall notes payable in the amount of \$550,103 and principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$60,787 for 2015 and increased \$64,863 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.

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

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 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, 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.

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

Capital outlay spending results in capital assets on government-wide financial 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 Schedules of the District's Proportionate Share of the net Pension Liability and of the District's Contributions are included in this section.

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

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 \$19,587,211 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.

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

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**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Current assets	\$ 4,370,490	\$ 3,853,105	13.43 %
Restricted assets	523,871	394,353	32.84 %
Capital assets, net	13,547,232	13,199,270	2.64 %
Total assets	18,441,593	17,446,728	5.70 %
Deferred outflows of resources	3,884,818	-	
Current liabilities	419,413	529,622	-20.81 %
Long-term debt outstanding	7,531,739	6,720,982	12.06 %
Net pension liability	29,662,651	-	
Total liabilities	37,613,803	7,250,604	418.77 %
Deferred inflows of resources	4,299,819	-	
Net position:			
Net investment in capital assets	6,999,547	7,077,130	-1.10 %
Restricted	1,558,969	1,378,405	13.10 %
Unrestricted	(28,145,727)	1,740,589	-1717.02 %
Total net position (deficit)	\$ (19,587,211)	\$ 10,196,124	-292.10 %

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (28,145,727)
Less unrestricted deficit in net position resulting from implementation of GASB Statements 68 & 71	30,077,652
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 1,931,925</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 \$347,962.
- The principal retirement of \$953,580 of long-term debt.
- The recognition of Net Pension Liability in the amount of \$29,662,651 as a result of GASB Statement No. 68 implementation.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$28,078,119 and \$26,857,850, respectively. The total cost of all programs and services was \$27,647,167 for 2015 and \$27,898,925 for 2014.

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

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

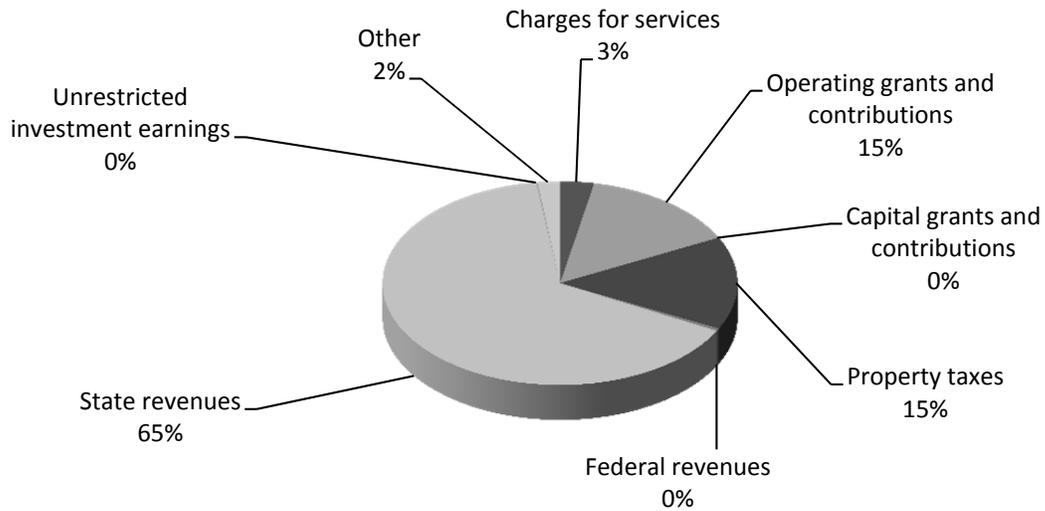
GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

**Table 2
Changes in Net Position**

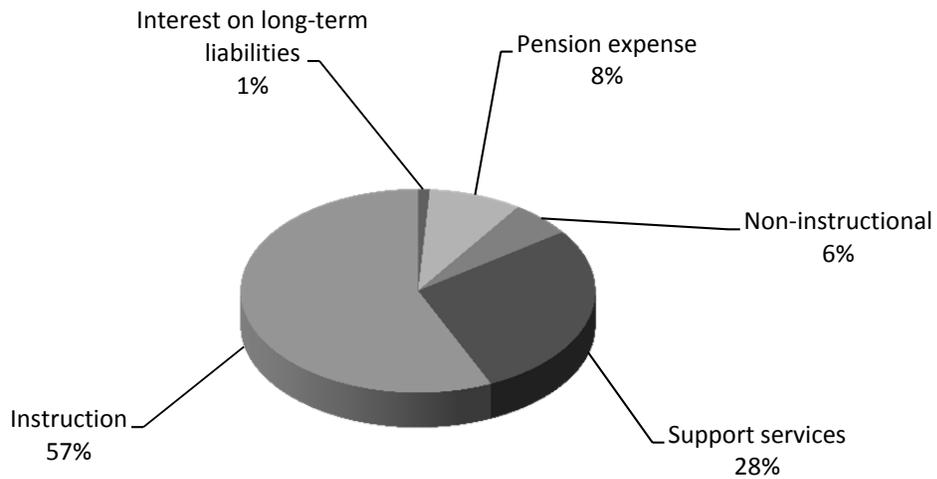
	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2014</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 865,935	\$ 887,275	(2.41) %
Operating grants and contributions	4,082,906	4,012,493	1.75 %
Capital Grants and Contributions	-	52,724	(100.00) %
General revenues:			
Property taxes	4,141,253	4,088,951	1.28 %
Grants and contributions not restricted	18,384,270	17,105,888	7.47 %
Investment earnings	29,007	24,762	17.14 %
Other	574,748	685,757	(16.19) %
Total revenues	<u>28,078,119</u>	<u>26,857,850</u>	4.54 %
Expenses:			
Instruction	15,684,807	17,057,047	(8.05) %
Support services	7,762,366	8,752,923	(11.32) %
Non-instructional	1,558,282	1,796,598	(13.26) %
Pension expense	2,346,639	-	
Interest on long-term liabilities	295,073	292,357	0.93 %
Total expenses	<u>27,647,167</u>	<u>27,898,925</u>	(0.90) %
Increase (Decrease) in net position	<u>430,952</u>	<u>(1,041,075)</u>	(141.39) %
Net Position, July 1, as previously reported	<u>10,196,124</u>	<u>11,237,199</u>	(9.26) %
Prior Period Adjustment	<u>(30,214,287)</u>	<u>-</u>	
Net Position (Deficit), July 1, as restated	<u>(20,018,163)</u>	<u>11,237,199</u>	(278.14) %
Net Position (Deficit), June 30	<u>\$ (19,587,211)</u>	<u>\$ 10,196,124</u>	(292.10) %

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

**Figure 1
Sources of Revenues for Fiscal Year 2015**



**Figure 2
Expenses for Fiscal Year 2015**



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

Governmental activities

The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, 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 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>		<u>Percentage Change</u>
	<u>2015</u>	<u>2014</u>	
Instruction	\$ 15,684,807	\$ 17,057,047	(8.05) %
Support services	7,762,366	8,752,923	(11.32) %
Non-instructional	1,558,282	1,796,598	(13.26) %
Pension expense	2,346,639	-	
Interest on long-term liabilities	295,073	292,357	0.93 %
Total expenses	<u>\$ 27,647,167</u>	<u>\$ 27,898,925</u>	(0.90) %
	<u>Net (Expense) Revenue</u>		
	<u>2015</u>	<u>2014</u>	<u>Percentage Change</u>
Instruction	\$ (13,414,038)	\$ (14,843,060)	(9.63) %
Support services	(6,721,161)	(7,721,736)	(12.96) %
Non-instructional	78,585	(89,280)	(188.02) %
Pension expense	(2,346,639)	-	
Interest on long-term liabilities	(295,073)	(292,357)	0.93 %
Total net (expense) revenue	<u>\$ (22,698,326)</u>	<u>\$ (22,946,433)</u>	(1.08) %

- Net cost of governmental activities (\$22,698,326 for 2015 and \$22,946,433 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$4,141,253 for 2015 and \$4,088,951 for 2014) and state and federal revenues (\$18,384,270 for 2015 and \$17,105,888 for 2014).
- Investment earnings amounted to \$29,007 for 2015 and \$24,762 for 2014.

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

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 \$4,568,728, an increase of \$767,351, which includes an increase in inventory of \$6,952. \$1,312,610 or 28.73% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted or assigned to specific purposes within the general fund. The remaining fund balance of \$3,256,118 or 71.27% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$621,833. The fund balance of Other Governmental Funds showed a decrease in the amount of \$3,624. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
School Food Service Fund	\$ 14,136
Title I Fund	no increase or decrease
EHA Part B Fund	no increase or decrease
Vocational Education Fund	no increase or decrease
Other Debt Retirement Fund	\$ 135,006

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.

- Budget amounts for General Fund revenue from local sources overestimated ad valorem tax revenues by \$474,090.
- Budget amounts for General Fund revenue from state sources underestimated MAEP revenues by \$73,734.
- Budget amounts for General Fund revenue from state sources underestimated educable child revenues in the amount of \$41,504.
- Budget amounts for General Fund revenue from state sources underestimated Master Teacher revenues by \$40,207.
- Budget amounts for General Fund revenue from state sources overestimated drivers education revenues by \$22,125.
- Budget amounts for General Fund revenue from state sources overestimated privilege tax revenues by \$29,874.

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

- Budget amounts for General Fund revenue from federal sources overestimated E-rate revenues in the amount of \$32,707.
- Budget amounts for General Fund revenue from federal sources underestimated Medicaid revenues in the amount of \$27,292.
- Actual expenditures were below budget, primarily because the District budgets from fund balance for unplanned expenditures (contingency). The District didn't spend the entire contingency amount.
- Original budget amounts for General Fund other financing sources did not take into account the shortfall note proceeds in the amount of \$524,641.
- Original budget amounts for General Fund other financing sources did not take into account the capital lease proceeds in the amount of \$350,021 for the computers.
- Budget amounts for School Food Service Fund revenue from local sources overestimated daily sales from school lunch program revenues by \$151,137.
- Budget amounts for School Food Service Fund revenue from federal sources underestimated national school lunch program revenues in the amount of \$119,054.
- Original budget amounts for School Food Service Fund revenue from federal sources did not take into account donated commodities revenues in the amount of \$128,995.
- Original budget amounts for School Food Service Fund other financing uses did not take into account indirect cost transfers out in the amount of \$86,000.
- Actual expenditures were below budget, because the total project amount for EHA Part B Fund was budgeted for July 1 – June 30, 2015, but all amounts were not spent until the next fiscal year.

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.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2015, the District's total capital assets were \$22,563,027, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$1,006,185 from 2014. Total accumulated depreciation as of June 30, 2015, was \$9,015,795, and total depreciation expense for the year was \$676,704, resulting in total net capital assets of \$13,547,232.

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Land	\$ 423,761	\$ 364,607	16.22 %
Buildings	9,918,244	10,173,015	(2.50) %
Building improvements	632,333	667,465	(5.26) %
Improvements other than buildings	192,156	206,505	(6.95) %
Mobile equipment	627,145	714,530	(12.23) %
Furniture and equipment	193,083	246,966	(21.82) %
Leased property under capital leases	1,560,510	826,182	88.88 %
Total	<u>\$ 13,547,232</u>	<u>\$ 13,199,270</u>	2.64 %

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 \$7,531,739 in outstanding long-term debt, of which \$1,245,260 is due within one year. The liability for compensated absences decreased \$60,787 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Three mill notes payable	\$ 1,748,991	\$ 2,143,442	(18.40) %
Shortfall notes payable	763,266	317,267	140.58 %
Obligations under capital leases	1,798,694	978,698	83.78 %
Qualified school construction bonds payable	3,000,000	3,000,000	0.00 %
Compensated absences payable	220,788	281,575	(21.59) %
Total	<u>\$ 7,531,739</u>	<u>\$ 6,720,982</u>	12.06 %

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

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

CURRENT ISSUES

The Pontotoc 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 an internal financial control is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

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

Enrollment for the 2014-2015 year increased by 1.14% to 3,200 students.

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 Pontotoc County School District, 285 Hwy 15 By-Pass South, Pontotoc, MS 38863.

FINANCIAL STATEMENTS

PONTOTOC COUNTY SCHOOL DISTRICT

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

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 2,596,612
Due from other governments	1,736,349
Accrued interest receivable	5,488
Inventories	32,041
Restricted assets	523,871
Capital assets, non-depreciable:	
Land	423,761
Capital assets, net of accumulated depreciation:	
Buildings	9,918,244
Building improvements	632,333
Improvements other than buildings	192,156
Mobile equipment	627,145
Furniture and equipment	193,083
Leased property under capital leases	1,560,510
Total Assets	<u>18,441,593</u>
 Deferred Outflows of Resources	
Pension related	3,884,818
Total Deferred Outflows of Resources	<u>3,884,818</u>
 Liabilities	
Accounts payable and accrued liabilities	169,121
Unearned revenue	6,616
Interest payable on long-term liabilities	243,676
Long-term liabilities, due within one year:	
Capital related liabilities	958,740
Non-capital related liabilities	286,520
Long-term liabilities, due beyond one year:	
Capital related liabilities	5,588,945
Non-capital related liabilities	697,534
Net pension liability	29,662,651
Total Liabilities	<u>37,613,803</u>
 Deferred Inflows of Resources	
Pension related	4,299,819
Total Deferred Inflows of Resources	<u>4,299,819</u>
 Net Position	
Net investment in capital assets	6,999,547
Restricted for:	
Expendable:	
School-based activities	434,258
Debt service	1,061,611
Unemployment benefits	63,100
Unrestricted	(28,145,727)
Total Net Position (Deficit)	<u>\$ (19,587,211)</u>

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

PONTOTOC COUNTY SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 15,684,807	\$ 532,706	\$ 1,738,063	\$ (13,414,038)
Support services	7,762,366	-	1,041,205	(6,721,161)
Non-instructional	1,558,282	333,229	1,303,638	78,585
Pension expense	2,346,639	-	-	(2,346,639)
Interest on long-term liabilities	295,073	-	-	(295,073)
Total Governmental Activities	<u>\$ 27,647,167</u>	<u>\$ 865,935</u>	<u>\$ 4,082,906</u>	<u>\$ (22,698,326)</u>

General Revenues:

Taxes:

General purpose levies	3,471,569
Debt purpose levies	669,684

Unrestricted grants and contributions:

State	18,273,761
Federal	110,509
Unrestricted investment earnings	29,007
Other	574,748
Total General Revenues	<u>23,129,278</u>

Change in Net Position 430,952

Net Position - Beginning, as previously reported	10,196,124
Prior Period Adjustment	<u>(30,214,287)</u>
Net Position (Deficit) - Beginning, as restated	<u>(20,018,163)</u>
Net Position (Deficit) - Ending	<u>\$ (19,587,211)</u>

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

PONTOTOC COUNTY SCHOOL DISTRICT

Governmental Funds

Balance Sheet **Exhibit C**
June 30, 2015

	Major Funds							Total Governmental Funds
	General Fund	School Food Service Fund	Title I Fund	EHA Part B Fund	Vocational Education Fund	Other Debt Retirement Fund	Other Governmental Funds	
Assets								
Cash and cash equivalents	\$ 1,364,058	\$ 486,591	\$ -	\$ -	\$ -	\$ -	\$ 745,963	\$ 2,596,612
Investments	-	-	-	-	-	523,871	-	523,871
Due from other governments	1,078,927	1,347	130,302	89,385	134,942	-	151,550	1,586,453
Accrued interest receivable	-	-	-	-	-	5,488	-	5,488
Due from other funds	475,799	-	-	-	-	-	32,195	507,994
Inventories	-	32,041	-	-	-	-	-	32,041
Total Assets	2,918,784	519,979	130,302	89,385	134,942	529,359	929,708	5,252,459
Liabilities and Fund Balances								
Liabilities:								
Accounts payable and accrued liabilities	\$ 127,239	\$ -	\$ -	\$ 238	\$ -	\$ -	\$ 41,644	\$ 169,121
Due to other funds	25,462	86,000	130,302	89,147	134,942	-	42,141	507,994
Unearned revenue	-	-	-	-	-	-	6,616	6,616
Total Liabilities	152,701	86,000	130,302	89,385	134,942	0	90,401	683,731
Fund Balances:								
Nonspendable:								
Inventory	-	32,041	-	-	-	-	-	32,041
Restricted:								
Unemployment benefits	-	-	-	-	-	-	63,100	63,100
Debt service	-	-	-	-	-	529,359	775,928	1,305,287
Food service	-	401,938	-	-	-	-	-	401,938
Grant activities	-	-	-	-	-	-	279	279
Assigned:								
Capital improvements	1,353,529	-	-	-	-	-	-	1,353,529
Activity funds	99,944	-	-	-	-	-	-	99,944
Unassigned	1,312,610	-	-	-	-	-	-	1,312,610
Total Fund Balances	2,766,083	433,979	-	-	-	529,359	839,307	4,568,728
Total Liabilities and Fund Balances	\$ 2,918,784	\$ 519,979	\$ 130,302	\$ 89,385	\$ 134,942	\$ 529,359	\$ 929,708	\$ 5,252,459

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

PONTOTOC 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 \$ 4,568,728

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	\$ 423,761	
Buildings	15,155,540	
Building improvements	878,312	
Improvements other than buildings	447,772	
Mobile equipment	2,827,226	
Furniture and equipment	857,999	
Leased property under capital leases	1,972,417	
Accumulated depreciation	<u>(9,015,795)</u>	13,547,232

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

Net pension liability (29,662,651)

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

Deferred outflows of resources related to pensions	3,884,818	
Deferred inflows of resources related to pensions	<u>(4,299,819)</u>	(30,077,652)

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:

Qualified school construction bonds	(3,000,000)	
Three mill notes	(1,748,991)	
Shortfall notes payable	(763,266)	
Capital lease obligations	(1,798,694)	
Compensated absences	(220,788)	
Accrued federal revenue	149,896	
Accrued interest payable	<u>(243,676)</u>	(7,625,519)

Net Position of governmental activities \$ (19,587,211)

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

PONTOTOC 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	School Food Service Fund	Title I Fund	EHA Part B Fund	Vocational Education Fund	Other Retirement Fund	Other Governmental Funds	
Revenues:								
Local sources	\$ 4,227,584	\$ 372,613	\$ -	\$ -	\$ 133,651	\$ 13,067	\$ 671,841	\$ 5,418,756
State sources	18,194,703	17,890	-	-	959,466	-	302,899	19,474,958
Federal sources	111,839	1,363,419	557,559	653,841	56,813	150,057	248,748	3,142,276
Total Revenues	22,534,126	1,733,922	557,559	653,841	1,149,930	163,124	1,223,488	28,035,990
Expenditures:								
Instruction	15,164,599	19	189,396	364,067	1,067,608	-	449,222	17,234,911
Support services	7,794,265	107,270	353,950	283,586	376,095	-	45,395	8,960,561
Noninstructional services	33,104	1,553,449	9,334	-	-	-	1,181	1,597,068
Facilities acquisition and construction	59,154	-	-	-	-	-	-	59,154
Debt service:								
Principal	397,307	-	-	-	-	-	556,273	953,580
Interest	58,881	-	-	-	-	172,500	53,614	284,995
Other	9,468	-	-	-	-	978	-	10,446
Total Expenditures	23,516,778	1,660,738	552,680	647,653	1,443,703	173,478	1,105,685	29,100,715
Excess (Deficiency) of Revenues over (under) Expenditures	(982,652)	93,184	4,879	6,188	(293,773)	(10,354)	117,803	(1,064,725)
Other Financing Sources (Uses):								
Notes issued	524,641	-	-	-	-	-	25,462	550,103
Capital leases issued	1,275,021	-	-	-	-	-	-	1,275,021
Payment to QSCB escrow agent	-	-	-	-	-	145,360	-	145,360
Payment to QSCB debt escrow agent	-	-	-	-	-	-	(145,360)	(145,360)
Operating transfers in	98,596	-	-	-	293,773	-	-	392,369
Operating transfers out	(293,773)	(86,000)	(4,879)	(6,188)	-	-	(1,529)	(392,369)
Total Other Financing Sources (Uses)	1,604,485	(86,000)	(4,879)	(6,188)	293,773	145,360	(121,427)	1,825,124
Net Change in Fund Balances	621,833	7,184	-	-	-	135,006	(3,624)	760,399
Fund Balances:								
July 1, 2014	2,144,250	419,843	-	-	-	394,353	842,931	3,801,377
Increase (Decrease) in inventory	-	6,952	-	-	-	-	-	6,952
June 30, 2015	\$ 2,766,083	\$ 433,979	\$ -	\$ -	\$ -	\$ 529,359	\$ 839,307	\$ 4,568,728

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

PONTOTOC 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 \$ 760,399

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	\$ 1,024,852	
Depreciation expense	<u>(676,704)</u>	348,148

2. The gain or loss on the sale of capital assets is not reported in the funds. (186)

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

Notes issued	(550,103)	
Capital leases issued	(1,275,021)	
Payments of debt principal	953,580	
Accrued interest payable	<u>(10,078)</u>	(881,622)

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	60,787	
Accrued federal revenue	(161)	
Change in inventory	6,952	
District pension contributions	2,483,274	
Pension expense	<u>(2,346,639)</u>	204,213

Change in net position of governmental activities \$ 430,952

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

PONTOTOC COUNTY SCHOOL DISTRICT

Fiduciary Assets and Liabilities

**Statement of Fiduciary Assets and Liabilities
June 30, 2015**

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 884,297
Total Assets	<u><u>\$ 884,297</u></u>
Liabilities	
Accounts payable and accrued liabilities	\$ 815,727
Due to student clubs	68,570
Total Liabilities	<u><u>\$ 884,297</u></u>

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

Pontotoc County School District

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

PONTOTOC 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. Financial Reporting Entity

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

For financial reporting purposes, Pontotoc 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.

Blended component unit

The Pontotoc County Schools Leasing Authority, Inc. ("the Authority") as explained in the following paragraph is considered to be a blended component unit as determined by Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* and is included in the district's reporting entity.

The Authority is governed by a six member board which is appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, fund balances, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see Note 11).

B. Government-wide and Fund Financial Statements

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

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

PONTOTOC COUNTY SCHOOL DISTRICT

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

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

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

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

The school district reports the following major governmental funds:

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

School Food Service Fund – This fund is used to account for the revenues and expenditures of the School Food Service and Child Nutrition program.

Title I Fund - This is fund is used to account for the federal revenues and expenditures of the Title I program.

EHA Part B Fund - This is fund is used to account for the federal revenues and expenditures of the Special Education program.

Vocational Fund - This is fund is used to account for the state and federal revenues and expenditures of the Vocational Education program.

Other Debt Retirement Fund - This fund is used to account for the investment and payment to escrow accounts held for the principal repayment of the QSCB bonds.

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

PONTOTOC COUNTY SCHOOL DISTRICT

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

The District's fiduciary funds include the following:

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

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

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.

FIDUCIARY FUNDS

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

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

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

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

PONTOTOC 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.

D. Encumbrances

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

PONTOTOC COUNTY SCHOOL DISTRICT

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

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.

PONTOTOC COUNTY SCHOOL DISTRICT

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

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 School Construction Bond sinking funds.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental 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.

PONTOTOC COUNTY SCHOOL DISTRICT

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

7. Deferred outflows/inflows of resources

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

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

See Note 13 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

PONTOTOC COUNTY SCHOOL DISTRICT

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

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.

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

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

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

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

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

PONTOTOC COUNTY SCHOOL DISTRICT

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 7% of revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

12. Use of Estimates

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

13. New Pronouncements

In June 2012, the GASB issued GASB Statement No. 68 and 71 *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.

Note 2 – Cash and Cash Equivalents and Investments

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

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department

PONTOTOC COUNTY SCHOOL DISTRICT

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

of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$ 2,596,612, and \$884,297, 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 name of the Mississippi State Treasurer on behalf of the district.

Investments

As of June 30, 2015, the district had the following investments in a sinking fund restricted for the payment of its Qualified School Construction Bonds described in Note 11.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
U.S. Government securities	AAA	12	\$ 523,871

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2015, the district did not have any investments to which this would apply.

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

PONTOTOC COUNTY SCHOOL DISTRICT

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

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	School Food Service Fund	\$ 86,000
General Fund	Title I Fund	130,302
General Fund	EHA Part B Fund	89,147
General Fund	Vocational Educational Fund	134,942
General Fund	Other Governmental Funds	35,408
Other Governmental Funds	General Fund	25,462
	Other Governmental Funds	6,733
Total		<u>\$ 507,994</u>

Inter-fund receivables and payables consist primarily of loans from the General Fund to various special revenue funds to cover cash deficits in pooled bank accounts.

B. Inter-fund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Vocational Education Fund	\$ 293,773
School Food Service Fund	General Fund	86,000
Title I Fund	General Fund	4,879
EHA Part B Fund	General Fund	6,188
Other Governmental Funds	General Fund	1,529
Total		<u>\$ 392,369</u>

Inter-fund transfers were made for budgetary purposes and for the payment of indirect costs.

Note 4 – Restricted Assets

The restricted assets represent the investment balance of \$523,871 of the QSCB Bond Retirement Fund described in Note 11.

PONTOTOC 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	Balance 6/30/2015
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 364,607	\$ 59,154	\$ -	\$ 423,761
Construction-in-progress	-	-	-	-
Total non-depreciable capital assets	<u>364,607</u>	<u>59,154</u>	<u>-</u>	<u>423,761</u>
<u>Depreciable capital assets:</u>				
Buildings	15,155,540	-	-	15,155,540
Building improvements	878,312	-	-	878,312
Improvements other than buildings	447,772	-	-	447,772
Mobile equipment	2,811,339	27,787	11,900	2,827,226
Furniture and equipment	842,381	22,385	6,767	857,999
Leased property under capital leases	1,056,891	915,526	-	1,972,417
Total depreciable capital assets	<u>21,192,235</u>	<u>965,698</u>	<u>18,667</u>	<u>22,139,266</u>
<u>Less accumulated depreciation for:</u>				
Buildings	4,982,525	254,771	-	5,237,296
Building improvements	210,847	35,132	-	245,979
Improvements other than buildings	241,267	14,349	-	255,616
Mobile equipment	2,096,809	115,053	11,781	2,200,081
Furniture and equipment	595,415	76,201	6,700	664,916
Leased property under capital leases	230,709	181,198	-	411,907
Total accumulated depreciation	<u>8,357,572</u>	<u>676,704</u>	<u>18,481</u>	<u>9,015,795</u>
Total depreciable capital assets, net	<u>12,834,663</u>	<u>288,994</u>	<u>186</u>	<u>13,123,471</u>
Governmental activities capital assets, net	<u>\$ 13,199,270</u>	<u>\$ 348,148</u>	<u>\$ 186</u>	<u>\$ 13,547,232</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 338,875
Support services	308,047
Non-instructional	29,782
Total depreciation expense	<u>\$ 676,704</u>

PONTOTOC 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. Three mill notes payable	\$ 2,143,442	\$ -	\$ 394,451	\$ 1,748,991	\$ 410,737
B. Shortfall notes payable	317,267	550,103	104,104	763,266	286,520
C. Obligations under capital leases	978,698	1,275,021	455,025	1,798,694	548,003
D. Qualified school construction bonds payable	3,000,000	-	-	3,000,000	-
E. Compensated absences payable	281,575	-	60,787	220,788	-
Total	\$ 6,720,982	\$ 1,825,124	\$ 1,014,367	\$ 7,531,739	\$ 1,245,260

A. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Limited Tax Note, Series 2002	2.75 - 4.25%	10/1/02	10/1/17	\$ 2,200,000	\$ 766,000
2. Limited Tax Note, Series 2008	4.33%	9/2/08	9/2/18	800,000	361,490
3. Limited Tax Note, Series 2012	2.95%	1/3/12	1/3/22	850,000	621,501
Total				\$ 3,850,000	\$ 1,748,991

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

1. Three mill notes payable issue of 2002:

Year Ending June 30	Principal	Interest	Total
2016	\$ 245,000	\$ 32,555	\$ 277,555
2017	256,000	22,143	278,143
2018	265,000	11,262	276,262
Total	\$ 766,000	\$ 65,960	\$ 831,960

The EEF Buildings and Buses revenue has been pledged for this debt. On December 10, 2002, the Pontotoc County School Board pledged its EEF Buildings and Buses revenue of \$94,000 annually for payment on the three mill note payable to Trustmark Bank. The debt issued was for the purpose of construction, repairs, and equipment for the school district. The commitment began with the 2002-2003 school year and ends with the 2015-2016 school year. The revenue from the state varies from year to year, but is all used for the debt retirement. For the 2014-2015 school year, the revenue was \$105,794. All of these funds were applied to the debt payment. The remainder of the debt payment of principal and interest of \$171,748 was paid out of District Maintenance.

PONTOTOC COUNTY SCHOOL DISTRICT

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

2. Three mill notes payable issue of 2008:

Year Ending June 30	Principal	Interest	Total
2016	\$ 84,690	\$ 15,878	100,568
2017	88,374	12,194	100,568
2018	92,287	8,281	100,568
2019	96,139	4,429	100,568
Total	<u>\$ 361,490</u>	<u>\$ 40,782</u>	<u>402,272</u>

This debt will be retired from the 2008 Note Retirement Fund.

3. Three mill notes payable issue of 2012:

Year Ending June 30	Principal	Interest	Total
2016	\$ 81,047	\$ 18,567	99,614
2017	83,426	16,188	99,614
2018	85,966	13,648	99,614
2019	88,537	11,077	99,614
2020	91,185	8,429	99,614
2021 - 2022	191,340	7,888	199,228
Total	<u>\$ 621,501</u>	<u>\$ 75,797</u>	<u>697,298</u>

This debt will be retired from the SPMS Cafeteria Note Retirement Fund.

Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2016	\$ 410,737	\$ 67,000	477,737
2017	427,800	50,525	478,325
2018	443,253	33,191	476,444
2019	184,676	15,506	200,182
2020	91,185	8,429	99,614
2021 - 2022	191,340	7,888	199,228
Total	<u>\$ 1,748,991</u>	<u>\$ 182,539</u>	<u>1,931,530</u>

PONTOTOC COUNTY SCHOOL DISTRICT

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

B. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Revenue Shortfall Note, Series 2013	1.48%	8/29/13	9/1/16	\$ 317,267	\$ 213,163
2. Revenue Shortfall Note, Series 2014	1.44%	7/29/14	7/29/17	550,103	550,103
Total				<u>\$ 867,370</u>	<u>\$ 763,266</u>

The amount outstanding is included in due from other governments on the Statement of Net Position.

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

1. Shortfall notes payable issue of 2013:

Year Ending June 30	Principal	Interest	Total
2016	\$ 105,763	\$ 3,308	\$ 109,071
2017	107,400	1,671	109,071
Total	<u>\$ 213,163</u>	<u>\$ 4,979</u>	<u>\$ 218,142</u>

This debt will be retired from the Shortfall Note Debt Service Fund.

2. Shortfall notes payable issue of 2014:

Year Ending June 30	Principal	Interest	Total
2016	\$ 180,757	\$ 8,127	\$ 188,884
2017	183,346	5,539	188,885
2018	186,000	2,884	188,884
Total	<u>\$ 550,103</u>	<u>\$ 16,550</u>	<u>\$ 566,653</u>

This debt will be retired from the Shortfall Note Debt Service Fund.

Total shortfall notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2016	\$ 286,520	\$ 11,435	\$ 297,955
2017	290,746	7,210	297,956
2018	186,000	2,884	188,884
Total	<u>\$ 763,266</u>	<u>\$ 21,529</u>	<u>\$ 784,795</u>

PONTOTOC COUNTY SCHOOL DISTRICT

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

C. Obligations under capital leases

The school district has entered into lease agreements as lessee for financing the acquisition of six buses at a cost of \$449,659, for financing the acquisition of eight buses at a cost of \$607,232, for financing the acquisition of iPads at a cost of \$154,830, for financing the acquisition of computers at a cost of \$307,420, for financing the acquisition of 435 computers at a cost of \$350,021, for financing the acquisition of 2 vans and 11 buses at a cost of \$925,000. These leases qualify as capital leases for accounting purposes.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Series 2011A	5.00%	8/16/11	4/10/16	\$ 449,659	\$ 97,335
2. Series 2012A	1.63%	11/15/12	11/15/16	607,232	308,561
3. Series 2013A	2.82%	7/10/13	7/10/15	144,760	48,241
4. Series 2013B	2.30%	9/1/13	9/1/16	307,420	153,670
5. Series 2014A	6.91%	1/9/14	1/9/16	10,070	3,371
6. Series 2014B	0.00%	8/1/14	8/1/17	350,021	262,516
7. Series 2014C	2.50%	8/1/14	8/1/24	925,000	925,000
Total				<u>\$ 2,794,162</u>	<u>\$ 1,798,694</u>

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

1. Obligations under capital leases issue of Series 2011A:

Year Ending June 30	Principal	Interest	Total
2016	\$ <u>97,335</u>	\$ <u>3,665</u>	\$ <u>101,000</u>

This debt will be retired from the General Fund.

2. Obligations under capital leases issue of Series 2012A:

Year Ending June 30	Principal	Interest	Total
2016	\$ 153,024	\$ 5,067	\$ 158,091
2017	155,537	2,554	158,091
Total	<u>\$ 308,561</u>	<u>\$ 7,621</u>	<u>\$ 316,182</u>

This debt will be retired from the General Fund.

PONTOTOC COUNTY SCHOOL DISTRICT

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

3. Obligations under capital leases issue of Series 2013A:

Year Ending June 30	Principal	Interest	Total
2016	\$ 48,241	\$ 1,360	\$ 49,601

This debt will be retired from the General Fund.

4. Obligations under capital leases issue of Series 2013B:

Year Ending June 30	Principal	Interest	Total
2016	\$ 75,963	\$ 3,528	\$ 79,491
2017	77,707	1,783	79,490
Total	\$ 153,670	\$ 5,311	\$ 158,981

This debt will be retired from the General Fund.

5. Obligations under capital leases issue of Series 2014A:

Year Ending June 30	Principal	Interest	Total
2016	\$ 3,371	\$ 219	\$ 3,590

This debt will be retired from the General Fund.

6. Obligations under capital leases issue of Series 2014B:

Year Ending June 30	Principal
2016	\$ 87,505
2017	87,505
2018	87,506
Total	\$ 262,516

This debt will be retired from the General Fund.

PONTOTOC COUNTY SCHOOL DISTRICT

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

7. Obligations under capital leases issue of 2014C:

Year Ending June 30	Principal	Interest	Total
2016	\$ 82,564	\$ 23,125	\$ 105,689
2017	84,628	21,061	105,689
2018	86,744	18,945	105,689
2019	88,913	16,776	105,689
2020	91,136	14,553	105,689
2021 – 2025	491,015	37,434	528,449
Total	\$ 925,000	\$ 131,894	\$ 1,056,894

This debt will be retired from the General Fund.

Total obligations capital lease payments for all issues:

Year Ending June 30	Principal	Interest	Total
2016	\$ 548,003	\$ 36,964	\$ 584,967
2017	405,377	25,398	430,775
2018	174,250	18,945	193,195
2019	88,913	16,776	105,689
2020	91,136	14,553	105,689
2021 – 2025	491,015	37,434	528,449
Total	\$ 1,798,694	\$ 150,070	\$ 1,948,764

D. Qualified school construction bonds payable

As more fully explained in Note 11, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Trust Certificates, Series 2010	5.75%	9/14/10	8/1/26	\$ 3,000,000	\$ 3,000,000

E. Compensated absences payable

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

PONTOTOC COUNTY SCHOOL DISTRICT

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

Note 7 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 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 \$2,483,274, \$2,351,876 and \$2,048,464, respectively, which equaled the required contributions for each year.

PONTOTOC 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 \$29,662,651 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 0.244375 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$2,346,639. 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	\$ 462,729	\$
Net difference between projected and actual earnings on pension plan investments		4,299,819
Changes of assumptions		
Changes in proportion and differences between District contributions and proportionate share of contributions	938,815	
District contributions subsequent to the measurement date	2,483,274	
Total	\$ <u>3,884,818</u>	\$ <u>4,299,819</u>

\$2,483,274 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	\$ (506,803)
2017	(506,803)
2018	(681,715)
2019	<u>(1,074,955)</u>
Total	\$ <u>(2,898,276)</u>

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

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

PONTOTOC COUNTY SCHOOL DISTRICT

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

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:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
District's proportionate share of the net pension liability	\$ <u>40,439,038</u>	\$ <u>29,662,651</u>	\$ <u>20,673,541</u>

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

PONTOTOC COUNTY SCHOOL DISTRICT

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

Note 8 – Prior Period Adjustments

A summary of significant Net Position adjustments is as follows:

Exhibit B - Statement of Activities

Explanation	Amount
1. Implementation of GASB 68 and 71:	
Net pension liability (06-30-14)	\$ (32,566,163)
Deferred outflows - contributions made during fiscal year 2014	<u>2,351,876</u>
Total prior period adjustment related to GASB 68 and 71	<u><u>(30,214,287)</u></u>

Note 9 – 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 subject to two old federal court injunctions/orders involving desegregation and religious expression.

Note 10 – Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 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.

PONTOTOC COUNTY SCHOOL DISTRICT

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

Note 11 – Qualified School Construction Bonds

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

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. For the year ended June 30, 2015, the subsidy payments amounted to \$150,058.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2015 was \$529,359, including accrued income of \$5,488. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district, the interest on the bonds, and the anticipated credit payments from the federal government.

<u>Year Ending June 30,</u>	<u>Sinking Fund Deposits</u>	<u>Interest Payable</u>	<u>Less Anticipated Credit Payments</u>	<u>Net Payments</u>
2016	\$ 130,000	\$ 172,500	\$ 161,700	\$ 140,800
2017	130,000	172,500	161,700	140,800
2018	130,000	172,500	161,700	140,800
2019	230,000	172,500	161,700	240,800
2020	230,000	172,500	161,700	240,800
2021 – 2025	1,165,000	862,500	808,500	1,219,000
2026 – 2027	470,000	345,000	485,100	329,900
Total	<u>\$ 2,485,000</u>	<u>\$ 2,070,000</u>	<u>\$ 2,102,100</u>	<u>\$ 2,452,900</u>

The EEF Buildings and Buses revenue has been pledged for this debt. On June 28, 2010, the Pontotoc County School Board pledged its EEF Buildings and Buses revenue of \$102,848 annually for payment on the Qualified School Construction Bonds, subject to any prior pledge for the benefit of any obligation that is currently outstanding. The debt issued was for the purpose of construction, repairs, and equipment for the school district. The commitment began with the 2011-2012 school year and ends with the 2024-2025 school year. The revenue from the state varies from year to year, but is all used for the debt retirement. For the 2014-2015 school year, the EEF revenue was \$105,794. All of these funds were applied to the debt payment of a currently outstanding debt obligation.

PONTOTOC COUNTY SCHOOL DISTRICT

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

Note 12 – Vocational School Consortium

The school district entered into a Vocational Educational Agreement dated January 31, 1984 creating the Pontotoc Ridge Career and Technical Center. This center was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The center includes the Pontotoc County School District and the Pontotoc City School District.

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

The Pontotoc County School District has been designated as the fiscal agent for the Pontotoc Ridge Career and Technical Center, and the operations of the center are included in its financial statements.

The following Statement of Revenues, Expenditures and Changes in Fund Balance is presented to detail the financial activity of the Pontotoc Ridge Career and Technical Center.

PONTOTOC COUNTY SCHOOL DISTRICT

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

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds
For the Year Ended June 30, 2015

Revenues

Local sources:	
Tuition from other LEA's within the state:	
Pontotoc City School District	\$ 133,651
State sources	959,466
Federal sources	56,813
Total Revenues	<u>1,149,930</u>

Expenditures

Salaries	1,000,768
Employee benefits	330,553
Purchased property services	60,927
Other purchased services	5,293
Supplies	18,574
Property	26,468
Other	1,120
Total Expenditures	<u>1,443,703</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(293,773)</u>

Other Financing Sources/Uses:

Operating transfers in	293,773
Total Other Financing Sources/Uses	<u>293,773</u>
Net Change in Fund Balance	<u>-</u>

Fund Balance:

July 1, 2014	
June 30, 2015	<u>\$ -</u>

PONTOTOC COUNTY SCHOOL DISTRICT

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

Note 13 – Effect of Deferred Amounts of Net Position

The unrestricted net position amount of (\$28,145,727) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$3,884,818 balance of deferred outflow of resources, at June 30, 2015 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$28,145,727) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$4,299,819 balance of deferred inflow of resources, at June 30, 2015 will be recognized as a revenue and will increase the unrestricted net position over the next 4 years.

Note 14 - 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 Pontotoc County School District evaluated the activity of the district through the date the financial statements were available to be issued, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

In August 2015, the school district issued a shortfall note in the amount of \$276,621.

On January 13, 2015, Pontotoc County has been approved by FEMA for two weather domes; one for North Campus and one for South Campus. The grant is an estimated \$1.84 million with the county responsible for a 10% match of \$368,000. The school district agrees to pay the county back for the \$368,000 match plus any other administrative expenses not covered by the grant upon completion.

REQUIRED SUPPLEMENTARY INFORMATION

PONTOTOC 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
Revenues:					
Local sources	\$ 4,691,686	\$ 4,227,584	\$ 4,227,584	\$ (464,102)	\$ -
State sources	18,084,512	18,194,703	18,194,703	110,191	-
Federal sources	110,550	111,839	111,839	1,289	-
Total Revenues	22,886,748	22,534,126	22,534,126	(352,622)	-
Expenditures:					
Instruction	14,974,276	15,164,599	15,164,599	(190,323)	-
Support services	8,312,950	7,808,769	7,794,265	504,181	14,504
Noninstructional services	21,000	33,104	33,104	(12,104)	-
Facilities acquisition and construction	-	44,650	59,154	(44,650)	(14,504)
Debt service:					
Principal	431,962	397,306	397,307	34,656	(1)
Interest		58,881	58,881	(58,881)	-
Other		9,469	9,468	(9,469)	1
Total Expenditures	23,740,188	23,516,778	23,516,778	223,410	-
Excess (Deficiency) of Revenues over (under) Expenditures	(853,440)	(982,652)	(982,652)	(129,212)	-
Other Financing Sources (Uses):					
Notes issued	-	524,641	524,641	524,641	-
Capital leases issued	925,000	1,275,021	1,275,021	350,021	-
Operating transfers in	200,000	98,596	98,596	(101,404)	-
Operating transfers out	(250,000)	(293,773)	(293,773)	(43,773)	-
Total Other Financing Sources (Uses)	875,000	1,604,485	1,604,485	729,485	-
Net Change in Fund Balances	21,560	621,833	621,833	600,273	-
Fund Balances:					
July 1, 2014	2,144,250	2,144,250	2,144,250	-	-
June 30, 2015	\$ 2,165,810	\$ 2,766,083	\$ 2,766,083	\$ 600,273	\$ -

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

PONTOTOC COUNTY SCHOOL DISTRICT

Required Supplementary Information

**Budgetary Comparison Schedule
School Food Service Fund
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 541,000	\$ 372,613	\$ 372,613	\$ (168,387)	\$ -
State sources	20,000	17,890	17,890	(2,110)	-
Federal sources	1,101,000	1,363,419	1,363,419	262,419	-
Total Revenues	1,662,000	1,753,922	1,753,922	91,922	-
Expenditures:					
Instruction	-	19	19	(19)	-
Support services	110,636	107,270	107,270	3,366	-
Noninstructional services	1,537,253	1,553,449	1,553,449	(16,196)	-
Total Expenditures	1,647,889	1,660,738	1,660,738	(12,849)	-
Excess (Deficiency) of Revenues over (under) Expenditures	14,111	93,184	93,184	79,073	-
Other Financing Sources (Uses):					
Operating transfers out	-	(86,000)	(86,000)	(86,000)	-
Total Other Financing Sources (Uses)	-	(86,000)	(86,000)	(86,000)	-
Net Change in Fund Balances	14,111	7,184	7,184	(6,927)	-
Fund Balances:					
July 1, 2014	419,843	419,843	419,843	-	-
Increase (Decrease) in reserve for inventory		6,952	6,952	6,952	-
June 30, 2015	\$ 433,954	\$ 433,979	\$ 433,979	\$ 25	\$ -

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

PONTOTOC 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
Revenues:					
Federal sources	\$ 582,784	\$ 557,559	\$ 557,559	\$ (25,225)	\$ -
Total Revenues	582,784	557,559	557,559	(25,225)	-
Expenditures:					
Instruction	154,088	189,396	189,396	(35,308)	-
Support services	395,941	353,950	353,950	41,991	-
Noninstructional services	11,770	9,334	9,334	2,436	-
Total Expenditures	561,799	552,680	552,680	9,119	-
Excess (Deficiency) of Revenues over (under) Expenditures	20,985	4,879	4,879	(16,106)	-
Other Financing Sources (Uses):					
Operating transfers out	(6,230)	(4,879)	(4,879)	1,351	-
Total Other Financing Sources (Uses)	(6,230)	(4,879)	(4,879)	1,351	-
Net Change in Fund Balances	14,755	-	-	(14,755)	-
Fund Balances:					
July 1, 2014	-	-	-	-	-
June 30, 2015	\$ 14,755	\$ -	\$ -	\$ (14,755)	\$ -

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

PONTOTOC COUNTY SCHOOL DISTRICT

Required Supplementary Information

**Budgetary Comparison Schedule
EHA Part B Fund
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
State sources	\$ 785,689	\$ 653,841	\$ 653,841	\$ (131,848)	\$ -
Total Revenues	785,689	653,841	653,841	(131,848)	-
Expenditures:					
Instruction	455,515	364,067	364,067	91,448	-
Support services	321,167	283,586	283,586	37,581	-
Total Expenditures	776,682	647,653	647,653	129,029	-
Excess (Deficiency) of Revenues over (under) Expenditures	9,007	6,188	6,188	(2,819)	-
Other Financing Sources (Uses):					
Operating transfers out	(8,600)	(6,188)	(6,188)	2,412	-
Total Other Financing Sources (Uses)	(8,600)	(6,188)	(6,188)	2,412	-
Net Change in Fund Balances	407	-	-	(407)	-
Fund Balances:					
July 1, 2014	-	-	-	-	-
June 30, 2015	\$ 407	\$ -	\$ -	\$ (407)	\$ -

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

PONTOTOC COUNTY SCHOOL DISTRICT

Required Supplementary Information

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 110,000	\$ 133,651	\$ 133,651	\$ 23,651	\$ -
State sources	1,038,297	959,466	959,466	(78,831)	-
Federal sources	56,918	56,813	56,813	(105)	-
Total Revenues	1,205,215	1,149,930	1,149,930	(55,285)	-
Expenditures:					
Instruction	1,077,003	1,067,608	1,067,608	9,395	-
Support services	378,212	376,095	376,095	2,117	-
Total Expenditures	1,455,215	1,443,703	1,443,703	11,512	-
Excess (Deficiency) of Revenues over (under) Expenditures	(250,000)	(293,773)	(293,773)	(43,773)	-
Other Financing Sources (Uses):					
Operating transfers in	250,000	293,773	293,773	43,773	-
Total Other Financing Sources (Uses)	250,000	293,773	293,773	43,773	-
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.

Pontotoc County School District

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

PERS

Last 10 Fiscal Years*

	<u>2015</u>
District's proportion of the net pension liability (asset)	\$ 29,662,651
District's proportionate share of the net pension liability (asset)	0.244375%
District's covered - employee payroll	14,932,546
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	198.644296%
Plan fiduciary net position as a percentage of the total pension liability	67.207687%

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.

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

	2015
Contractually required contribution	\$ <u>2,483,274</u>
Contributions in relation to the contractually required contribution	2,483,274
Contribution deficiency (excess)	\$ <u><u>-</u></u>
District's covered - employee payroll	15,766,819
Contributions as a percentage of covered - employee payroll	15.75%

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

Pontotoc County School District

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

Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) Changes of benefit terms

None.

(2) Changes of assumptions

None.

SUPPLEMENTARY INFORMATION

PONTOTOC 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
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 264,959
National school lunch program	10.555	1,098,049
Summer food service program for children	10.559	412
Total child nutrition cluster		<u>1,363,420</u>
Total passed-through Mississippi Department of Education		<u>1,363,420</u>
Total U.S. Department of Agriculture		<u>1,363,420</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	17,293
Total Federal Communications Commission		<u>17,293</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Rehabilitation Services:		
Rehabilitation services - vocational rehabilitation grants to states	84.126	56,813
Subtotal		<u>56,813</u>
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	557,559
Career and technical education - basic grants to states	84.048	8,565
Rural education	84.358	54,608
English language acquisition grants	84.365	37,176
Improving teacher quality - State Grants	84.367	123,589
Subtotal		<u>781,497</u>
Special education cluster:		
Special education - grants to states	84.027	653,841
Special education - preschool grants	84.173	20,579
Total special education cluster		<u>674,420</u>
Total passed-through Mississippi Department of Education		<u>1,455,917</u>
Total U.S. Department of Education		<u>1,512,730</u>
Total for All Federal Awards		<u>\$ 2,950,256</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.

PONTOTOC 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	\$ 21,576,690	17,320,502	696,927	1,480,576	2,078,685
Other	7,524,025	2,546,088	161,379	15,389	4,801,169
Total	<u>\$ 29,100,715</u>	<u>19,866,590</u>	<u>858,306</u>	<u>1,495,965</u>	<u>6,879,854</u>
Total number of students *	<u>3,200</u>				
Cost per student	<u>\$ 9,093</u>	<u>6,208</u>	<u>268</u>	<u>467</u>	<u>2,150</u>

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

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

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

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

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

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

OTHER INFORMATION

PONTOTOC COUNTY SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2015	2014*	2013*	2012*
Revenues:				
Local sources	\$ 4,227,584	\$ 4,298,177	\$ 4,308,964	\$ 4,105,647
State sources	18,194,703	16,799,330	16,553,876	16,234,046
Federal sources	111,839	128,791	145,533	186,614
Total Revenues	22,534,126	21,226,298	21,008,373	20,526,307
Expenditures:				
Instruction	15,164,599	14,639,346	13,784,672	13,397,875
Support services	7,794,265	7,146,003	7,294,986	6,640,522
Noninstructional services	33,104	31,043	28,183	26,268
Facilities acquisition and construction	59,154	-	62,572	-
Debt service:				
Principal	397,307	356,628	195,999	226,548
Interest	58,881	74,784	78,175	84,491
Other	9,468	-	-	-
Total Expenditures	23,516,778	22,247,804	21,444,587	20,375,704
Excess (Deficiency) of Revenues over (under) Expenditures	(982,652)	(1,021,506)	(436,214)	150,603
Other Financing Sources (Uses):				
Notes issued	524,641	317,267	-	-
Capital leases issued	1,275,021	462,250	607,232	449,659
Sale of transportation equipment	-	18,932	-	-
Operating transfers in	98,596	100,089	94,636	629,576
Operating transfers out	(293,773)	(266,303)	(466,788)	(239,358)
Total Other Financing Sources (Uses)	1,604,485	632,235	235,080	839,877
Net Change in Fund Balances	621,833	(389,271)	(201,134)	990,480
Fund Balances:				
July 1,	2,144,250	2,533,521	2,734,655	1,744,175
June 30,	\$ 2,766,083	\$ 2,144,250	\$ 2,533,521	\$ 2,734,655

*SOURCE - PRIOR YEAR AUDIT REPORTS

PONTOTOC 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*
Revenues:				
Local sources	\$ 5,418,756	\$ 5,492,352	\$ 5,467,654	\$ 5,088,144
State sources	19,474,958	18,086,404	17,640,872	17,538,947
Federal sources	3,142,276	3,227,634	3,072,791	3,146,203
Total Revenues	28,035,990	26,806,390	26,181,317	25,773,294
Expenditures:				
Instruction	17,234,911	16,675,272	15,591,440	15,453,833
Support services	8,960,561	8,324,109	8,412,625	7,980,490
Noninstructional services	1,597,068	1,791,022	1,736,178	1,521,954
Facilities acquisition and construction	59,154	278,388	63,857	1,397,759
Debt service:				
Principal	953,580	749,225	448,506	554,442
Interest	284,995	292,225	303,283	128,998
Other	10,446	7,328	630	500
Total Expenditures	29,100,715	28,117,569	26,556,519	27,037,976
Excess (Deficiency) of Revenues over (under) Expenditures	(1,064,725)	(1,311,179)	(375,202)	(1,264,682)
Other Financing Sources (Uses):				
Notes issued	550,103	317,267	-	850,000
Capital leases issued	1,275,021	462,250	607,232	449,659
Payment to QSCB escrow agent	145,360	-	-	-
Payment to QSCB debt escrow agent	(145,360)	-	-	-
Sale of transportation equipment	-	18,932	-	-
Operating transfers in	392,369	366,392	561,424	868,934
Operating transfers out	(392,369)	(366,392)	(561,424)	(868,934)
Total Other Financing Sources (Uses)	1,825,124	798,449	607,232	1,299,659
Net Change in Fund Balances	760,399	(512,730)	232,030	34,977
Fund Balances:				
July 1,	3,801,377	4,316,482	4,102,631	4,076,796
Increase (Decrease) in inventory	6,952	(2,375)	(18,179)	(9,142)
June 30,	\$ 4,568,728	\$ 3,801,377	\$ 4,316,482	\$ 4,102,631

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Pontotoc County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pontotoc 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 Pontotoc County School District's basic financial statements, and have issued our report thereon dated December 14, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pontotoc 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.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
December 14, 2015

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Pontotoc County School District

Report on Compliance for Each Major Federal Program

We have audited Pontotoc County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Pontotoc County School District's major federal programs for the year ended June 30, 2015. The Pontotoc County School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of 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 Pontotoc 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 school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Pontotoc County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Pontotoc 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 Pontotoc 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 school district's internal control over compliance.

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

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
December 14, 2015

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Pontotoc County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pontotoc County School District as of and for the year ended June 30, 2015, which collectively comprise the Pontotoc County School District's basic financial statements and have issued our report thereon dated December 14, 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 ensure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$0 of classroom supply funds carried over from previous years.

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

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

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

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
December 14, 2015

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Pontotoc County School District

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

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported.
5. Type of auditor's report issued on compliance for major federal programs: Unmodified.
6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No.
7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555 & 10.559	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies

8. Dollar threshold used to distinguish between type A and type B programs: \$300,000.
9. Auditee qualified as low-risk auditee? No

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to the federal awards.