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SOUTH DELTA SCHOOL DISTRICT

**Audited Financial Statements
For the Year Ended June 30, 2015**

**WATKINS, WARD AND STAFFORD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS**

SOUTH DELTA SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

WATKINS, WARD AND STAFFORD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS



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Professional Limited Liability Company
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INDEPENDENT AUDITORS' REPORT

Superintendent and School Board
South Delta 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 South Delta School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the South Delta School District's basic financial statements as listed in the 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.

Auditors' Responsibility

Our responsibility is to express an opinion 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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 South Delta 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 and budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 4-12 and 39-43, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Delta School District's 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 information 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 March 11, 2016, on our consideration of the South Delta 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 South Delta School District's internal control over financial reporting and compliance.

Watkins, Ward and Stafford, PLLC
Jackson, Mississippi
March 11, 2016

Watkins Ward and Stafford, PLLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

SOUTH DELTA SCHOOL DISTRICT
Management's Discussion and Analysis

The following discussion and analysis of South Delta 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 financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2015 decreased \$9,183,814, including a prior period adjustment of (\$10,606,024) resulting from the recording of the net pension liability, which represents a 116.05% decrease from fiscal year 2014. Total net position for 2014 increased \$677,293, including a prior period adjustment of \$243,429, which represents a 9.36% increase from fiscal year 2013.
- General revenues amounted to \$7,904,344 and \$7,677,262, or 68.62% and 72.09% 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 \$3,614,579, or 31.38% of total revenues for 2015, and \$2,972,239, or 27.91% of total revenues for 2014.
- The District had \$10,096,713 and \$10,215,637 in expenses for fiscal years 2015 and 2014; only \$3,614,579 for 2015 and \$2,972,239 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$7,904,344 for 2015 and \$7,677,292 for 2014 were adequate to provide for these programs.
- Among major funds, the General Fund had \$7,799,633 in revenues and \$6,234,429 in expenditures for 2015, and \$6,268,309 in revenues and \$6,358,438 in expenditures in 2014. The General Fund's fund balance increased by \$7,437,524 from 2014 to 2015, including a fund reclassification of \$6,487,283, and increased by \$474,044 from 2013 to 2014.
- Capital assets, net of accumulated depreciation, decreased by \$127,709 for 2015 and decreased by \$66,381 for 2014. The decrease for 2015 was due to the increase in accumulated depreciation.
- Long-term debt is composed of bonds and compensated absences. Long-term debt did not increase or decrease for 2015 or 2014. The liability for compensated absences decreased by \$4,398 for 2015 and decreased by \$5,919 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 financial statements. This report also contains required supplementary information, supplementary information, and other information.

Government-wide Financial Statements

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

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

**SOUTH DELTA SCHOOL DISTRICT
Management's Discussion and Analysis**

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

**SOUTH DELTA SCHOOL DISTRICT
Management's Discussion and Analysis**

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 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 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 major special revenue fund as required by the Governmental Accounting Standards Board. Additionally, the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of District Contributions are presented in this section.

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$1,269,827 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.

**SOUTH DELTA SCHOOL DISTRICT
Management's Discussion and Analysis**

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	\$ 10,124,627	\$ 6,135,296	65.02 %
Restricted assets	540,027	3,384,852	(84.05) %
Capital assets, net	1,453,101	1,580,810	(8.08) %
Total assets	<u>12,117,755</u>	<u>11,100,958</u>	9.16 %
Deferred outflows of resources	<u>961,031</u>	<u>-</u>	N/A %
Current liabilities	784,527	910,870	(13.87) %
Long-term debt outstanding	2,271,703	2,276,101	(0.19) %
Net pension liability	9,589,154	-	N/A %
Total liabilities	<u>12,645,384</u>	<u>3,186,971</u>	296.78 %
Deferred inflows of resources	<u>1,703,229</u>	<u>-</u>	N/A %
Net position:			
Net investment in capital assets	1,453,101	1,580,810	(8.08) %
Restricted	1,018,315	7,184,992	(85.83) %
Unrestricted	(3,741,243)	(851,815)	(339.21) %
Total net position (deficit)	<u>\$ (1,269,827)</u>	<u>\$ 7,913,987</u>	(116.05) %

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	\$ (3,741,243)
Less unrestricted deficit in net position resulting from recognition of the net pension Liability	10,331,352
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 6,590,109</u>

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

- Increase in current assets in the amount of \$3,989,321.
- Decrease in restricted assets in the amount of \$2,844,825.
- Decrease in net capital assets in the amount of \$127,709.
- Implementation of GASB Statement No. 68 which required the recording of a liability for the proportionate share of the school district's net pension liability as well as the recording of deferred outflows/inflows of resources on the Statement of Net Position.

**SOUTH DELTA SCHOOL DISTRICT
Management's Discussion and Analysis**

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$11,518,923 and \$10,649,501, respectively. The total cost of all programs and services was \$10,096,713 for 2015 and \$10,215,637 for 2014.

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

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

**Table 2
Changes in Net Position**

	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2014</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 194,101	\$ 133,698	45.18 %
Operating grants and contributions	3,420,478	2,838,541	20.50 %
General revenues:			
Property taxes	2,278,850	2,145,080	6.24 %
Grants and contributions not restricted	4,089,467	4,293,630	(4.76) %
Investment earnings	50,885	62,522	(18.61) %
Sixteenth section sources	1,474,514	1,167,488	26.30 %
Other	10,628	8,542	24.42 %
Total revenues	<u>11,518,923</u>	<u>10,649,501</u>	8.16 %
Expenses:			
Instruction	4,355,333	4,611,328	(5.55) %
Support services	4,186,122	4,587,400	(8.75) %
Non-instructional	829,788	816,327	1.65 %
Sixteenth section	71,425	83,307	(14.26) %
Pension Expense	536,770		
Interest on long-term liabilities	117,275	117,275	0.00 %
Total expenses	<u>10,096,713</u>	<u>10,215,637</u>	(1.16) %
Increase (Decrease) in net position	<u>1,422,210</u>	<u>433,864</u>	227.80 %
Net Position, July 1, as previously reported	<u>7,913,987</u>	<u>7,236,694</u>	9.36 %
Prior Period Adjustment	<u>(10,606,024)</u>	<u>243,429</u>	(4,456.93) %
Net Position, July 1, as restated	<u>(2,692,037)</u>	<u>7,480,123</u>	(135.99) %
Net Position, June 30	<u>\$ (1,269,827)</u>	<u>\$ 7,913,987</u>	(116.05) %

Governmental activities

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

SOUTH DELTA SCHOOL DISTRICT
Management's Discussion and Analysis

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	\$ 4,355,333	\$ 4,611,328	(5.55) %
Support services	4,186,122	4,587,400	(8.75) %
Non-instructional	829,788	816,327	1.65 %
Sixteenth section	71,425	83,307	(14.26) %
Pension Expense	536,770		
Interest on long-term liabilities	117,275	117,275	0.00 %
Total expenses	<u>\$ 10,096,713</u>	<u>\$ 10,215,637</u>	(1.16) %
	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2015</u>	<u>2014</u>	
Instruction	\$ (3,044,448)	\$ (3,382,399)	(9.99) %
Support services	(2,867,728)	(3,637,579)	(21.16) %
Non-instructional	86,106	(22,838)	(477.03) %
Sixteenth section	(2,019)	(83,307)	(97.58) %
Pension Expense	(536,770)		
Interest on long-term liabilities	(117,275)	(117,275)	0.00 %
Total net (expense) revenue	<u>\$ (6,482,134)</u>	<u>\$ (7,243,398)</u>	(10.51) %

- Net cost of governmental activities (\$6,482,134 for 2015 and \$7,243,398 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$2,278,850 for 2015 and \$2,145,080 for 2014) and state and federal revenues (\$4,089,467 for 2015 and \$4,293,630 for 2014). In addition, there was \$1,474,514 and \$1,167,488 in Sixteenth Section sources for 2015 and 2014, respectively.
- Investment earnings amounted to \$50,885 for 2015 and \$62,522 for 2014.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$9,891,730, an increase of \$1,270,849, which includes an increase in inventory of \$5,545. \$8,843,743 or 89.41% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance

**SOUTH DELTA SCHOOL DISTRICT
Management's Discussion and Analysis**

that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$1,047,987 or 10.59% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$7,437,524, which includes a fund reclassification of \$6,487,283. The fund balance of Other Governmental Funds showed a decrease in the amount of \$6,166,675, which includes a fund reclassification of (\$6,487,283) and an increase in inventory of \$5,545. The increase (decrease) in the fund balances for the other major funds were as follows:

	<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I		no increase or decrease
21st Century Comm. Learning Fund		no increase or decrease

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District. Budget revisions during the year were routine in nature and were insignificant when compared with total revenues and expenditures of the District.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2015, the District's total capital assets were \$5,319,977, including land, school buildings, improvements other than buildings, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$68,661 from 2014. Total accumulated depreciation as of June 30, 2015, was \$3,866,876, and total depreciation expense for the year was \$196,370, resulting in total net capital assets of \$1,453,101.

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Land	\$ 57,128	\$ 57,128	0.00 %
Buildings	357,253	358,600	(0.38) %
Building Improvements	504,646	527,584	(4.35) %
Mobile equipment	346,951	396,034	(12.39) %
Furniture and equipment	187,123	241,464	(22.50) %
Total	\$ 1,453,101	\$ 1,580,810	(8.08) %

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

**SOUTH DELTA SCHOOL DISTRICT
Management's Discussion and Analysis**

Debt Administration. At June 30, 2015, the District had \$2,271,703 in outstanding long-term debt, of which \$0 is due within one year. The liability for compensated absences decreased \$4,398 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Qualified school construction bonds payable	\$ 2,210,000	\$ 2,210,000	0.00 %
Compensated absences payable	61,703	66,101	(6.65) %
Total	\$ 2,271,703	\$ 2,276,101	(0.19) %

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

CURRENT ISSUES

The South Delta School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting, and internal financial controls 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 decreased by approximately 4.02% to 883 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 South Delta School District, P.O. Box 219, Rolling Fork, MS 39159.

FINANCIAL STATEMENTS

SOUTH DELTA SCHOOL DISTRICT

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

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 9,489,857
Due from other governments	608,770
Other receivables, net	13,091
Inventories	8,217
Prepaid Items	4,692
Restricted assets	540,027
Capital assets, non-depreciable:	
Land	57,128
Capital assets, net of accumulated depreciation:	
Buildings	357,253
Building Improvements	504,646
Mobile equipment	346,951
Furniture and equipment	187,123
Total Assets	12,117,755
Deferred Outflows of Resources	
Deferred outflow related to pensions	961,031
Total Deferred Outflows of Resources	961,031
Liabilities	
Accounts payable and accrued liabilities	772,924
Interest Payable on Long Term Debt	11,603
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,210,000
Non-capital related liabilities	61,703
Net pension liability	9,589,154
Total Liabilities	12,645,384
Deferred Inflows of Resources	
Deferred inflow related to pensions	1,703,229
Total Deferred Inflows of Resources	1,703,229
Net Position	
Net investment in capital assets	1,453,101
Restricted for:	
Expendable:	
School-based activities	252,928
Debt service	566,765
Forestry improvements	176,587
Unemployment benefits	22,035
Unrestricted	(3,741,243)
Total Net Position (Deficit)	\$ (1,269,827)

The accompanying notes to financial statements are an integral part of these financial statements.

SOUTH DELTA SCHOOL DISTRICT

**Statement of Activities
For the Year Ended June 30, 2015**

Exhibit B

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Instruction	\$ 4,355,333	\$ 83,882	\$ 1,227,003	\$ -		\$ (3,044,448)
Support services	4,186,122	-	1,318,394	-		(2,867,728)
Non-instructional	829,788	40,813	875,081	-		86,106
Sixteenth section	71,425	69,406	-	-		(2,019)
Pension Expense	536,770	-	-	-		(536,770)
Interest on long-term liabilities	117,275	-	-	-		(117,275)
Total Governmental Activities	\$ 10,096,713	\$ 194,101	\$ 3,420,478	\$ -		\$ (6,482,134)

General Revenues:

Taxes:

General purpose levies	2,087,595
Debt purpose levies	191,255

Unrestricted grants and contributions:

State	4,005,548
Federal	83,919
Unrestricted investment earnings	50,885
Sixteenth section sources	1,474,514
Other	10,628

Total General Revenues 7,904,344

Change in Net Position 1,422,210

Net Position - Beginning, as previously reported 7,913,987

Prior Period Adjustment (10,606,024)

Net Position (Deficit) - Beginning, as restated (2,692,037)

Net Position (Deficit) - Ending \$ (1,269,827)

The accompanying notes to financial statements are an integral part of these financial statements.

**South Delta School District
Governmental Funds**

**Balance Sheet
June 30, 2015**

Exhibit C

	Major Funds				Total Governmental Funds
	General Fund	Title I Fund	21st Century Comm. Learning Fund	Other Governmental Funds	
Assets					
Cash and cash equivalents	\$ 8,956,475	-	-	533,382	\$ 9,489,857
Cash with fiscal agents	-	-	-	540,027	540,027
Due from other governments	169,144	114,912	194,611	130,103	608,770
Due from other funds	185,320	-	-	3,691	189,011
Inventories	-	-	-	8,217	8,217
Prepaid items	4,692	-	-	-	4,692
Total assets	\$ 9,315,631	\$ 114,912	\$ 194,611	1,215,420	\$ 10,840,574
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 368,820	45,202	135,176	138,726	\$ 687,924
Due to other funds	-	69,710	59,435	46,775	175,920
Unearned revenue	85,000	-	-	-	85,000
Total Liabilities	453,820	114,912	194,611	185,501	948,844
Fund Balances:					
Nonspendable:					
Inventories	-	-	-	8,217	8,217
Prepaid items	4,692	-	-	-	4,692
Restricted:					
Unemployment benefits	-	-	-	22,035	22,035
Forestry improvement purposes	-	-	-	176,587	176,587
Debt services	-	-	-	578,368	578,368
Food services	-	-	-	67,287	67,287
Capital improvements	-	-	-	58,052	58,052
School activities	-	-	-	71,544	71,544
Assigned:					
Activity funds	13,376	-	-	-	13,376
Capital improvements	-	-	-	47,829	47,829
Unassigned	8,843,743	-	-	-	8,843,743
Total Fund Balances	8,861,811	-	-	1,029,919	9,891,730
Total Liabilities and Fund Balances	\$ 9,315,631	\$ 114,912	\$ 194,611	1,215,420	\$ 10,840,574

The accompanying notes to financial statements are an integral part of these financial statements.

**SOUTH DELTA 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 **\$ 9,891,730**

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	\$	57,128	
Buildings		1,577,439	
Building Improvements		573,460	
Mobile equipment		1,438,871	
Furniture and equipment		1,673,079	
Accumulated depreciation		<u>(3,866,876)</u>	1,453,101

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

Net pension liability (9,589,154)

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

Deferred outflows of resources related to pensions		961,031	
Deferred inflows of resources related to pensions		<u>(1,703,229)</u>	(10,331,352)

- 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		(2,210,000)	
Compensated absences		(61,703)	
Accrued interest payable		<u>(11,603)</u>	<u>(2,283,306)</u>

Net Position of governmental activities (deficit) **\$ (1,269,827)**

The accompanying notes to financial statements are an integral part of these financial statements.

**SOUTH DELTA SCHOOL DISTRICT
Governmental Funds**

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

Exhibit D

	Major Funds				Total Governmental Funds
	General Fund	Title I Fund	21st Century Comm. Learning Fund	Other Governmental Funds	
Revenues:					
Local sources	\$ 2,184,510	\$ -	\$ -	386,970	\$ 2,571,480
State sources	4,008,315	-	-	306,110	4,314,425
Federal sources	83,919	1,133,409	238,172	1,584,845	3,040,345
Sixteenth section sources	1,522,889	-	-	69,785	1,592,674
Total Revenues	7,799,633	1,133,409	238,172	2,347,710	11,518,924
Expenditures:					
Instruction	2,940,283	500,162	192,105	1,026,992	4,659,542
Support services	3,228,313	542,374	42,031	568,329	4,381,047
Noninstructional services	-	82,138	414	789,821	872,373
Sixteenth section	65,833	-	-	5,592	71,425
Debt service:					
Interest	-	-	-	116,025	116,025
Other	-	-	-	1,250	1,250
Total Expenditures	6,234,429	1,124,674	234,550	2,508,009	10,101,662
Excess (Deficiency) of Revenues over (under) Expenditures	1,565,204	8,735	3,622	(160,299)	1,417,262
Other Financing Sources (Uses):					
Operating transfers in	24,157	-	-	639,120	663,277
Operating transfers out	(639,120)	(8,735)	(3,622)	(11,800)	(663,277)
Other financing uses	-	-	-	(151,958)	(151,958)
Total Other Financing Sources (Uses)	(614,963)	(8,735)	(3,622)	475,362	(151,958)
Net Change in Fund Balances	950,241	-	-	315,063	1,265,304
Fund Balances:					
July 1, 2014, as previously reported	1,424,287	-	-	7,196,594	8,620,881
Reclassify fund types	6,487,283	-	-	(6,487,283)	-
July 1, 2014, as restated	7,911,570	-	-	709,311	8,620,881
Increase in inventory	-	-	-	5,545	5,545
June 30, 2015	\$ 8,861,811	\$ -	\$ -	1,029,919	\$ 9,891,730

The accompanying notes to financial statements are an integral part of these financial statements.

**SOUTH DELTA 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 **\$ 1,265,304**

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	\$ 68,661	
Depreciation expense	<u>(196,371)</u>	(127,710)

2. Some items reported in the statement of activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:

Recording of pension expense for the current period	(536,770)	
Recording of contributions made subsequent to the measurement date	<u>811,443</u>	274,673

3. 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	4,398	
Changes in inventory reserve	<u>5,545</u>	9,943

Change in Net Position of governmental activities		\$ <u>1,422,210</u>
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The accompanying notes to financial statements are an integral part of these financial statements.

**SOUTH DELTA SCHOOL DISTRICT
Fiduciary Funds**

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

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 24,597
Total Assets	<u>\$ 24,597</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 1,122
Due to other funds	13,091
Due to student clubs	<u>10,384</u>
Total Liabilities	<u>\$ 24,597</u>

The accompanying notes to financial statements are an integral part of these financial statements.

SOUTH DELTA SCHOOL DISTRICT
Notes to Financial Statements

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

B. Government-wide and Fund Financial Statements

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

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

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

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.

SOUTH DELTA SCHOOL DISTRICT
Notes to Financial Statements

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.

21st Century Comm. Learning Fund - This is a special revenue fund that accounts for revenues and expenditures associated with providing academic enrichment opportunities during non-school hours for children.

Title I Fund - This is a special revenue fund that accounts for federal sources received and expenditures incurred related to the District's Title I program.

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

The school district also reports fiduciary funds (agency funds) which focus on assets and liabilities only. The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund is used as a clearing fund for payroll type transactions.

Student Club Funds - These various funds account for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual clubs.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

SOUTH DELTA SCHOOL DISTRICT
Notes to Financial Statements

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

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

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

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

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

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

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

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

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.

SOUTH DELTA SCHOOL DISTRICT
Notes to Financial Statements

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

D. Encumbrances

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

E. Assets, liabilities, 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.

SOUTH DELTA SCHOOL DISTRICT
Notes to Financial Statements

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

Capital acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

Depreciation is calculated on the straight-line basis for all assets, except land.

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

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

SOUTH DELTA SCHOOL DISTRICT
Notes to Financial Statements

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 incurred deferred outflow related to pensions. See Note 14 for further details.

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 incurred a deferred inflow which is presented as a deferred inflow related to pensions. See note 14 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, Deferred Debt Expense, and Bond Discounts/Premiums

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issue cost, 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 of Mississippi (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

SOUTH DELTA SCHOOL DISTRICT
Notes to Financial Statements

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 non-spendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

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

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

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

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

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

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

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 10% of general 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.

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

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

SOUTH DELTA SCHOOL DISTRICT
Notes to Financial Statements

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$9,489,857 and \$24,597 respectively. The carrying amount of deposits reported in the government-wide financial statements was reported as cash and cash equivalents of \$9,489,857. The bank balance was \$9,924,960.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2015, none of the district's bank balance of \$9,924,960 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of the school district's cash with fiscal agents held by financial institutions in the governmental funds was \$540,027. This amount is reported as restricted assets in the government-wide financial statements.

Note 3 – Inter-fund Receivables, Payables and Transfers

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

SOUTH DELTA SCHOOL DISTRICT
Notes to Financial Statements

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I Fund	\$ 69,710
General Fund	21st Century Comm	
	Learning Fund	59,435
General Fund	Other governmental funds	43,084
Other governmental funds	Other governmental funds	3,691
General Fund	Fiduciary Funds	13,091
Total		<u>\$ 189,011</u>

The primary purpose of the inter-fund balances is to eliminate deficit cash balances in certain special revenue funds caused by negative federal award program cash flows and to show the effects of board approved operating transfers and the resulting inter-fund balances caused by those approved transfers.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other Governmental Funds	\$ 639,120
Title I Fund	General Fund	8,735
21st Century Comm. Learning Fund	General Fund	3,622
Other Governmental Funds	General Fund	11,800
Total		<u>\$ 663,277</u>

Operating transfers were primarily for the following: indirect cost transfers, the transfer of expendable sixteenth section sources, debt service transfers, and other routine operating transfers.

Note 4 – Restricted Assets

The restricted assets represent the cash with fiscal agent balance totaling \$540,027 of the QSCB Bond Retirement Fund.

SOUTH DELTA SCHOOL DISTRICT
Notes to Financial Statements

Note 5 – Capital Assets

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

	Balance 7/1/2014	Increases	Decreases	Adjustments/ Reclassifications	Balance 6/30/2015
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 57,128				\$ 57,128
Total non-depreciable capital assets	57,128	-	-	-	57,128
<u>Depreciable capital assets:</u>					
Buildings	1,577,439				1,577,439
Building Improvements	573,460				573,460
Mobile equipment	1,397,042	41,829			1,438,871
Furniture and equipment	1,646,247	26,832			1,673,079
Total depreciable capital assets	5,194,188	68,661	-	-	5,262,849
<u>Less accumulated depreciation for:</u>					
Buildings	1,218,839	1,347			1,220,186
Building Improvements	45,876	22,938			68,814
Mobile equipment	1,001,008	90,912			1,091,920
Furniture and equipment	1,404,783	81,173			1,485,956
Total accumulated depreciation	3,670,506	196,370	-	-	3,866,876
Total depreciable capital assets, net	1,523,682	(127,709)	-	-	1,395,973
Governmental activities capital assets, net	\$ 1,580,810	\$ (127,709)	-	-	\$ 1,453,101

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 33,134
Support services	158,287
Non-instructional	4,949
Total depreciation expense - Governmental activities	\$ 196,370

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. Qualified school construction bonds payable	\$ 2,210,000			\$ 2,210,000	-
B. Compensated absences payable	66,101		4,398	61,703	-
Total	\$ 2,276,101	-	\$ 4,398	\$ 2,271,703	-

SOUTH DELTA SCHOOL DISTRICT
Notes to Financial Statements

A. Qualified school construction bonds payable

As more fully explained in Note 13, debt has been issued by the school district that qualifies as Qualified School Construction bonds. The bonds are being used for renovation projects. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified School Construction Bond, Series 2011	5.25%	5/24/2011	5/23/2026	\$ 2,210,000	\$ 2,210,000
Total				<u>\$ 2,210,000</u>	<u>\$ 2,210,000</u>

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

Year Ending June 30	Principal	Interest	Total
2016	\$	4,862	4,862
2017		4,862	4,862
2018		4,862	4,862
2019		4,862	4,862
2020		4,862	4,862
2021-2025		24,310	24,310
2026	2,210,000	4,862	2,214,862
Total	<u>\$ 2,210,000</u>	<u>53,482</u>	<u>2,263,482</u>

B. Compensated absences payable

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

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.

SOUTH DELTA SCHOOL DISTRICT
Notes to Financial Statements

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 \$811,443, \$755,844 and \$714,294, respectively, which equaled the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the school district reported a liability of \$9,589,154 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 0.079 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$536,770. 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	\$ 149,588	\$
Net difference between projected and actual earnings on pension plan investments		1,390,018
Difference between net impact of entries and calculated balance of net pension liability		313,211
District contributions subsequent to the measurement date	811,443	
Total	\$ 961,031	\$ 1,703,229

SOUTH DELTA SCHOOL DISTRICT
Notes to Financial Statements

\$811,443 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	\$	(406,362)
2017		(406,362)
2018		(393,413)
2019		(347,505)

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

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

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

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

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

<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	100 %	

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

SOUTH DELTA SCHOOL DISTRICT
Notes to Financial Statements

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	\$ 13,072,876	\$ 9,589,154	\$ 6,683,211

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

Note 8 – Sixteenth Section Lands

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

Year Ending June 30	Amount
2016	\$ 759,686
2017	600,435
2018	409,765
2019	97,642
2020	52,982
2021 – 2025	129,760
2026 – 2030	116,357
2031 – 2035	82,725
2036 – 2040	16,535
Thereafter	24,915
Total	\$ 2,290,802

Note 9 – Fund Reclassification

A fund reclassification in the amount of \$6,487,283 was made to report Sixteenth Section Interest Funds, previously reported as Special Revenue Funds in prior years, as General Funds for fiscal year ended June 30, 2015.

SOUTH DELTA SCHOOL DISTRICT
Notes to Financial Statements

Note 10 – Prior Period Adjustment

A summary of the significant Net Position adjustment is as follows:

Exhibit B – Statement of Activities

Explanation	Amount
1. Implementation of GASB 68 and 71:	\$ \$
Net pension liability (measurement date)	(11,361,868)
Deferred outflows – contributions made during fiscal year 2014	<u>755,844</u>
Total prior period adjustment related to GASB 68 and 71	<u>(10,606,024)</u>
Total	<u>\$(10,606,024)</u>

Note 11 – Contingencies

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

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

Note 12 – Risk Management

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

Participation in Public Entity Risk Pool

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

SOUTH DELTA SCHOOL DISTRICT
Notes to Financial Statements

Note 13 – 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. The note carries an interest rate of 5.25%. The Internal Revenue Service provides a tax credit of 5.03% and the school district is responsible for .22%. In the event the Internal Revenue Service fails to provide the tax credit after receiving proper notice, the school district is responsible for all amounts due on the interest payment date. 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 district received \$103,048 in interest subsidies from the Internal Revenue service.

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 \$540,027. The amount accumulated in the sinking fund at the end of the period of the bond 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.

Year Ending June 30	Amount
2016	\$ 151,958
2017	151,958
2018	151,957
2019	151,957
2020	151,958
2021 – 2025	759,788
2026	151,958
Total	<u>\$ 1,671,534</u>

Note 14 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$1,531,242) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$811,443 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The \$149,588 balance of the deferred outflow of resources related to pensions at June 30, 2015 will be recognized in pension expense over the next 3 years. The \$1,703,229 balance of the deferred inflow of resources related to pensions at June 30, 2015 will be recognized in pension expense over the next 4 years.

**SOUTH DELTA SCHOOL DISTRICT
Notes to Financial Statements**

Note 15 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the South Delta School District evaluated the activity of the district through March 11, 2016, (the date the financial statements were available to be issued), and determined that there were no subsequent events that have occurred requiring disclosure in the notes to financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**SOUTH DELTA 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	\$ 2,195,118	\$ 2,137,816	\$ 2,184,510	\$ (57,302)	\$ 46,694
State sources	4,007,842	4,008,668	4,008,315	826	(353)
Federal sources	133,774	95,452	83,919	(38,322)	(11,533)
Sixteenth section sources	-	1,169,500	1,522,889	1,169,500	353,389
Total Revenues	6,336,734	7,411,436	7,799,633	1,074,702	388,197
Expenditures:					
Instruction	3,513,051	3,208,809	2,940,283	304,242	268,526
Support services	3,782,290	3,907,944	3,228,313	(125,654)	679,631
Noninstructional	2,100	-	-	2,100	-
Sixteenth section	-	84,250	65,833	(84,250)	18,417
Total Expenditures	7,297,441	7,201,003	6,234,429	96,438	966,574
Excess (Deficiency) of Revenues over (under) Expenditures	(960,707)	210,433	1,565,204	1,171,140	1,354,771
Other Financing Sources (Uses):					
Operating transfers in	2,153,574	2,150,517	24,157	(3,057)	(2,126,360)
Operating transfers out	(1,192,867)	(2,894,747)	(639,120)	(1,701,880)	2,255,627
Total Other Financing Sources (Uses)	960,707	(744,230)	(614,963)	(1,704,937)	129,267
Net Change in Fund Balances	-	(533,797)	950,241	(533,797)	1,484,038
Fund Balances:					
July 1, 2014, as previously reported	1,000,000	7,911,570	1,424,287	6,911,570	(6,487,283)
Fund reclassification	-	-	6,487,283	-	6,487,283
July 1, 2014, as restated	1,000,000	7,911,570	7,911,570	6,911,570	-
June 30, 2015	\$ 1,000,000	\$ 7,377,773	\$ 8,861,811	\$ 6,377,773	\$ 1,484,038

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

**SOUTH DELTA 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	\$ 1,460,833	\$ 1,495,942	\$ 1,133,409	\$ 35,109	\$ (362,533)
Total Revenues	1,460,833	1,495,942	1,133,409	35,109	(362,533)
Expenditures:					
Instruction	499,905	663,343	500,162	(163,438)	163,181
Support Services	877,493	713,013	542,374	164,480	170,639
Noninstructional Services	69,410	87,116	82,138	(17,706)	4,978
Total Expenditures	1,446,808	1,463,472	1,124,674	(16,664)	338,798
Excess (Deficiency) of Revenues over (under) Expenditures	14,025	32,470	8,735	18,445	(23,735)
Other Financing Sources (Uses):					
Operating transfers out	(14,025)	(32,470)	(8,735)	(18,445)	23,735
Total Other Financing Sources (Uses)	(14,025)	(32,470)	(8,735)	(18,445)	23,735
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2014	-	-	-	-	-
June 30, 2015	\$ -	-	-	-	-

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

**SOUTH DELTA SCHOOL DISTRICT
Required Supplementary Information**

**Budgetary Comparison Schedule
21st Century Comm. Learning 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	\$ -	\$ 250,000	\$ 238,172	\$ 250,000	\$ (11,828)
Total Revenues	-	250,000	238,172	250,000	(11,828)
Expenditures:					
Instruction	-	192,105	192,105	(192,105)	-
Support Services	-	53,859	42,031	(53,859)	11,828
Noninstructional Services	-	414	414	(414)	-
Total Expenditures	-	246,378	234,550	(246,378)	11,828
Excess (Deficiency) of Revenues over (under) Expenditures	-	3,622	3,622	3,622	-
Other Financing Sources (Uses):					
Operating transfers out	-	(3,622)	(3,622)	(3,622)	-
Total Other Financing Sources (Uses)	-	(3,622)	(3,622)	(3,622)	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2014	-	-	-	-	-
June 30, 2015	\$ -	-	-	-	-

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

**South Delta School District
Required Supplementary Information**

Schedule of the District's Proportionate Share of the Net Pension Liability
PERS
Last 10 Fiscal Years*

		2015
District's proportion of the net pension liability (asset)		0.079%
District's proportionate share of the net pension liability (asset)	\$	9,589,154
District's covered - employee payroll		4,799,010
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll		199.815273%
Plan fiduciary net position as a percentage of the total pension liability		67.207687%

The accompanying notes to 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.

**South Delta School District
Required Supplementary Information**

Schedule of District Contributions

PERS

Last 10 Fiscal Years

Contractually required contribution	\$	<u>2015</u> 811,443
Contributions in relation to the contractually required contribution	\$	811,443
Contribution deficiency (excess)	\$	<u> </u> <u> </u> -
District's covered - employee payroll		5,152,019
Contributions as a percentage of covered - employee payroll		15.75%

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

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

**South Delta School District
Notes to Required Supplementary Information**

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTARY INFORMATION

**SOUTH DELTA 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	\$ 250,392
National school lunch program	10.555	504,437
Summer Food Service Program for Children	10.559	56,580
Total child nutrition cluster		<u>811,409</u>
Fresh Fruit and Vegetable Program	10.582	16,035
Total passed-through Mississippi Department of Education		<u>827,444</u>
Total U.S. Department of Agriculture		<u>827,444</u>
<u>U.S. Department of Defense</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	49,924
Total U.S. Department of Defense		<u>49,924</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	35,808
Total Federal Communications Commission		<u>35,808</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	18,219
Twenty-First Century Community Learning Centers	84.287	238,172
Rural education	84.358	18,051
Improving teacher quality state grants	84.367	203,121
Title I Grants to Local Educational Agencies	84.010	1,133,409
Subtotal		<u>1,610,972</u>
Special education cluster:		
Special education - grants to states	84.027	311,729
Special education - preschool grants	84.173	14,748
Total special education cluster		<u>326,477</u>
Total passed-through Mississippi Department of Education		<u>1,937,449</u>
Total U.S. Department of Education		<u>1,937,449</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Education:		
Medical assistance program	93.778	24,644
Total passed-through Mississippi Department of Education		<u>24,644</u>
Total U.S. Department of Health and Human Services		<u>24,644</u>
Total for All Federal Awards		<u>\$ 2,875,269</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

**SOUTH DELTA SCHOOL DISTRICT
Supplementary Information**

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2015**

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 7,069,210	4,830,526	515,305	559,483	1,163,896
Other	<u>3,032,452</u>	<u>1,054,265</u>	<u>325,220</u>	<u>19,730</u>	<u>1,633,237</u>
Total	<u>\$ 10,101,662</u>	<u>5,884,791</u>	<u>840,525</u>	<u>579,213</u>	<u>2,797,133</u>
Total number of students *	<u>883</u>				
Cost per student	<u>\$ 11,440</u>	<u>6,665</u>	<u>952</u>	<u>656</u>	<u>3,168</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

SOUTH DELTA 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	\$ 2,184,510	\$ 2,070,355	\$ 1,967,949	\$ 1,950,229
State sources	4,008,315	3,843,036	4,134,781	4,133,833
Federal sources	83,919	354,918	105,934	172,911
Sixteenth section sources	1,522,889			
Total Revenues	7,799,633	6,268,309	6,208,664	6,256,973
Expenditures:				
Instruction	2,940,283	2,894,414	3,096,042	2,986,829
Support services	3,228,313	3,464,024	3,261,535	2,962,118
Sixteenth section	65,833			
Total Expenditures	6,234,429	6,358,438	6,357,577	5,948,947
 Excess (Deficiency) of Revenues over (under) Expenditures	 1,565,204	 (90,129)	 (148,913)	 308,026
Other Financing Sources (Uses):				
Insurance loss recoveries	-	-	96,716	9,705
Sale of transportation equipment	-	8,797		10,745
Sale of other property	-	-	225	
Operating transfers in	24,157	1,192,676	532,677	1,070,173
Operating transfers out	(639,120)	(637,300)	(1,000,884)	(1,704,992)
Total Other Financing Sources (Uses)	(614,963)	564,173	(371,266)	(614,369)
 Net Change in Fund Balances	 950,241	 474,044	 (520,179)	 (306,343)
Fund Balances:				
Beginning of period, as originally reported	1,424,287	950,243	1,470,422	1,776,765
Fund reclassification	6,487,283			
Beginning of period, restated	7,911,570	950,243	1,470,422	1,776,765
 End of Period	 \$ 8,861,811	 1,424,287	 \$ 950,243	 \$ 1,470,422

*SOURCE - PRIOR YEAR AUDIT REPORTS

**SOUTH DELTA 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	\$ 2,571,480	\$ 2,289,449	\$ 2,165,482	\$ 2,098,698
State sources	4,314,425	4,181,242	4,432,381	4,450,930
Federal sources	3,040,345	2,950,932	2,547,189	3,229,300
Sixteenth section sources	1,592,674	1,227,878	1,060,325	1,693,442
Total Revenues	11,518,924	10,649,501	10,205,377	11,472,370
Expenditures:				
Instruction	4,659,542	4,463,224	4,559,893	4,960,226
Support services	4,381,047	4,536,536	5,032,293	7,093,407
Noninstructional services	872,373	812,442	873,389	839,498
Sixteenth section	71,425	83,307	75,865	154,352
Facilities acquisition and construction			573,460	
Debt service:				
Interest	116,025	116,025	14,533	4,849
Other	1,250	1,250	1,250	1,250
Total Expenditures	10,101,662	10,012,784	11,130,683	13,053,582
Excess (Deficiency) of Revenues over (under) Expenditures	1,417,262	636,717	(925,306)	(1,581,212)
Other Financing Sources (Uses):				
Insurance Loss Recover	-	-	96,716	9,705
Other financing sources			145,600	82,595
Sale of transportation equipment	-	8,797		11,843
Sale of other property			225	
Operating transfers in	663,277	1,829,976	2,433,561	2,254,492
Operating Transfers out	(663,277)	(1,829,976)	(2,433,561)	(2,254,492)
Other financing uses	(151,958)	(151,958)	(151,957)	(82,595)
Total Other Financing Sources (Uses)	(151,958)	(143,161)	90,584	21,548
Net Change in Fund Balances	1,265,304	493,556	(834,722)	(1,559,664)
Fund Balances:				
Beginning of period, as originally reported	8,620,881	7,883,126	8,718,365	10,278,848
Prior period adjustments	-	243,429		
Beginning of period, restated	8,620,881	8,126,555	8,718,365	10,278,848
Increase (Decrease) in reserve for inventory	5,545	770	(517)	(819)
End of Period	\$ 9,891,730	8,620,881	7,883,126	\$ 8,718,365

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



WATKINS, WARD and STAFFORD
Professional Limited Liability Company
Certified Public Accountants

James L. Stafford, CPA	Kimberly S. Caskey, CPA
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**INDEPENDENT AUDITORS' 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
South Delta 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 South Delta School District, as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise South Delta School District's basic financial statements, and have issued our report thereon dated March 11, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Delta 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*.

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.

Watkins, Ward, and Stafford, PLLC
Jackson, Mississippi
March 11, 2016

Watkins Ward and Stafford, PLLC



WATKINS, WARD and STAFFORD
 Professional Limited Liability Company
 Certified Public Accountants

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

Superintendent and School Board
 South Delta School District

Report on Compliance for Each Major Federal Program

We have audited South Delta School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of South Delta School District's major federal programs for the year ended June 30, 2015. South Delta School District's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of South Delta 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 South Delta School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of South Delta School District's compliance.

Opinion on Each Major Federal Program

In our opinion, South Delta 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.

Other Matters

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item **2015-01**. Our opinion on each major federal program is not modified with respect to this matter.

South Delta School District's response to the noncompliance finding identified in our audit is described in the accompanying corrective action plan. South Delta School District's response was not subjected to the

auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of South Delta 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 South Delta 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 South Delta School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item **2015-01** that we consider to be a significant deficiency.

South Delta School District's response to the internal control over compliance finding identified in our audit is described in the accompanying corrective action plan. South Delta School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Watkins, Ward, and Stafford, PLLC
Jackson, Mississippi
March 11, 2016

Watkins Ward and Stafford, PLLC

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS



WATKINS, WARD and STAFFORD
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 Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT
 ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**

Superintendent and School Board
 South Delta School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Delta School District as of and for the year ended June 30, 2015, which collectively comprise South Delta School District's basic financial statements and have issued our report thereon dated March 11, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

As required by 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 and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Watkins, Ward, and Stafford, PLLC
 Jackson, Mississippi
 March 11, 2016

Watkins Ward and Stafford, PLLC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**SOUTH DELTA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015**

Section I: Summary of Auditors' Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditors' report issued: | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified? | None reported |
| 3. | Noncompliance material to financial statements noted? | No |

Federal Awards:

- | | | |
|----|--|------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness identified? | No |
| | b. Significant deficiency identified? | Yes |
| 5. | Type of auditors' report issued on compliance for major programs: | Unmodified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | Yes |

7. Identification of major programs:

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

- | | | |
|-----|---|-----------|
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as low-risk auditee? | No |
| 10. | Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133. | Yes |

SOUTH DELTA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

Significant deficiencies not considered to be a material weakness

2015-01 Finding

Internal Controls Surrounding the Reporting Requirements Should Be Strengthened

Program: Child Nutrition Cluster, Passed-Through the Mississippi Department of Education

CFDA# 10.553 – School Breakfast Program

CFDA# 10.555 – National School Lunch Program

Compliance requirement: Reporting

Management is responsible for complying with the requirements of the Mississippi Department of Education's Policies and Procedures Manual for Child Nutrition Programs, which requires that the school district's "Monthly Claim for Reimbursement – School Lunch and School Breakfast" report be received by the Mississippi Department of Education by the 10th day of the month following the reporting month.

During the test work surrounding the submission of the "Monthly Claim for Reimbursement – School Lunch and School Breakfast" report by the proper deadline, we noted that three of the ten required reports were not submitted to the Mississippi Department of Education by the 10th of the month.

Lack of adequate internal controls concerning the timely submission of the "Monthly Claim for Reimbursement – School Lunch and School Breakfast" reports by the proper deadline could result in the district no receiving its federal reimbursement in a timely manner to cover the expenditures of the program.

Recommendation

The district should implement policies and procedures to ensure compliance with the reporting requirements of the Child Nutrition Cluster.

AUDITEE'S CORRECTIVE ACTION PLAN /
AUDITEE'S SUMMARY OF PRIOR YEAR AUDIT FINDINGS

**South Delta School District
P. O. Box 219
Rolling Fork, MS 39159
Sammie Ivy, Superintendent**

AUDITEE'S CORRECTIVE ACTION PLAN

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

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2015-01	<p>A. Name of contact person responsible for Corrective Action:</p> <p style="padding-left: 40px;">Name: Mrs. Linda McGee Title: Food Service Director Phone: 662-873-4294</p> <p>B. Corrective Action Planned:</p> <p style="padding-left: 40px;">The district has implemented control procedures to ensure the proper and timely reporting is done to adhere to the policy to have all claims submitted by the 10th of each month.</p>

**South Delta School District
P. O. Box 219
Rolling Fork, MS 39159
Sammie Ivy, Superintendent**

AUDITEE'S SUMMARY OF PRIOR YEAR AUDIT FINDINGS

As required by Section __.315(b) of OMB Circular A-133, the South Delta School District has prepared and hereby submits the following summary of prior year audit findings as of June 30, 2015:

<u>Findings</u>	<u>Status</u>
2014-01	Corrected