



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

ITAWAMBA COUNTY SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

**ITAWAMBA COUNTY SCHOOL DISTRICT
TABLE OF CONTENTS**

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	4
MANAGEMENT’S DISCUSSION AND ANALYSIS	8
BASIC FINANCIAL STATEMENTS	19
Government-wide Financial Statements	
Statement of Net Position	20
Statement of Activities	21
Governmental Funds Financial Statements	
Balance Sheet	22
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	23
Statement of Revenues, Expenditures and Changes in Fund Balances	24
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	25
Fiduciary Funds Financial Statements	
Statement of Fiduciary Assets and Liabilities	26
Notes to the Financial Statements	27
REQUIRED SUPPLEMENTARY INFORMATION	55
Budgetary Comparison Schedule – General Fund	56
Budgetary Comparison Schedule – School Food Service Fund	57
Budgetary Comparison Schedule – IDEA Part B Fund	58
Schedule of the District’s Proportionate Share of the Net Pension Liability	59
Schedule of District Contributions	60
Notes to the Required Supplementary Information	61

**ITAWAMBA COUNTY SCHOOL DISTRICT
TABLE OF CONTENTS (CONTINUED)**

	<u>Page</u>
SUPPLEMENTARY INFORMATION	62
Schedule of Expenditures of Federal Awards	63
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds	64
OTHER INFORMATION	65
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years	66
Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years	67
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	68
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	69
Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	71
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	74
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	76
CORRECTIVE ACTION PLAN	82

INDEPENDENT AUDITOR'S REPORT

J.E. VANCE & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

825 JEFFERSON STREET
POST OFFICE BOX 1280
TUPELO, MISSISSIPPI 38802

(662) 842-2123
FACSIMILE (662) 841-6809
E-MAIL: jev@jevance.com

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Itawamba County School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Itawamba County School District, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 8-18, 56-58, 59, and 60, 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 Itawamba County 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 January 15, 2016, on our consideration of Itawamba County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Itawamba County School District's internal control over financial reporting and compliance.

Tupelo, MS
January 15, 2016

A handwritten signature in cursive script that reads "J. S. Vance & Company". The signature is written in black ink and is positioned to the right of the typed date.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following discussion and analysis of Itawamba County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Total net position for 2015 decreased \$31,898,194, including prior period adjustments of (\$33,505,189), which represents a 139% decrease from fiscal year 2014. Total net position for 2014 increased \$313,502, including a prior period adjustment of 102,758, which represents a 1% increase from fiscal year 2013.

General revenues amounted to \$24,615,649 and \$23,729,207, or 81% and 84% 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 \$5,604,769, or 19% of total revenues for 2015, and \$4,591,139, or 16% of total revenues for 2014.

The District had \$28,613,423 and \$28,109,602 in expenses for fiscal years 2015 and 2014; only \$5,604,769 for 2015 and \$4,591,139 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$24,615,649 for 2015 and \$23,729,207 for 2014 were adequate to provide for these programs.

Among major funds, the General Fund had \$23,722,964 in revenues and \$24,698,898 in expenditures for 2015, and \$22,692,695 in revenues and \$22,628,233 in expenditures in 2014. The General Fund's fund balance decreased by \$7,774, including prior period adjustments of (\$160,000), from 2014 to 2015, and decreased by \$1,270,250 from 2013 to 2014.

Among major funds, the School Food Service Fund had \$1,934,603 in revenues and \$2,134,607 in expenditures for 2015, and \$1,953,038 in revenues and \$2,193,596 in expenditures in 2014. The School Food Service Fund's fund balance decreased by \$372, including a prior period adjustment of \$116,790 and an increase of reserve for inventory of \$40,595, from 2014 to 2015, and decreased by \$45,367, including a decrease in reserve for inventory of \$15,129, from 2013 to 2014.

Among major funds, the IDEA Part B Fund had \$1,216,082 in revenues and \$976,562 in expenditures for 2015, and \$203,150 in revenues and \$867,003 in expenditures in 2014. The IDEA Part B Fund's fund balance decreased by \$120,038 from 2014 to 2015. There were no changes in the EHA Part B Fund's fund balance from 2013 to 2014.

Among major funds, the QSCB Debt Retirement Fund had \$0 in revenues and \$25,200 in expenditures for 2015, and \$0 in revenues and \$0 in expenditures in 2014. The QSCB Debt Retirement Fund's fund balance increased by \$178,121 from 2014 to 2015, and increased by \$177,235 from 2013 to 2014.

Capital assets, net of accumulated depreciation, increased by \$224,446 for 2015, including prior period adjustments of (\$210,910), and decreased by \$485,732 for 2014. The increase for 2015 was primarily due to the purchase of school buses, less the increase in accumulated depreciation.

Long-term debt decreased by \$644,776 for 2015 and decreased by \$1,824,863 for 2014. This decrease for 2015 was due primarily to the principal payments on outstanding long-term debt, less new obligations entered into under a capital lease and the issue of a new revenue shortfall note. The liability for compensated absences increased by \$19,508 for 2015 and increased by \$4,614 for 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

Pension plan contributions affect the net pension liability reported on the government-wide financial statements, but are recorded as expenditures on the governmental funds financial statements.

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

Notes to the financial statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund (if applicable) as required by the Governmental Accounting Standards Board.

This report also presents a schedule of the District's proportionate share of the net pension liability of the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. This schedule is presented to show trending data over the most recent ten fiscal year period as required by the Governmental Accounting Standards Board.

This report also presents a schedule of District contributions to PERS over the most recent ten fiscal year period as required by the Governmental Accounting Standards Board.

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$8,964,383 as of June 30, 2015.

The District's financial position is a product of several financial transactions including the net result of activities, the payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

Table 1 presents a summary of the District's net position at June 30, 2015 and June 30, 2014.

Table 1
Condensed Statement of Net Position

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage</u>
Assets			
Current assets	\$ 5,732,621	\$ 7,199,881	(20.38) %
Restricted assets	1,046,154	861,172	21.48 %
Capital assets, net	<u>29,740,264</u>	<u>29,515,818</u>	0.76 %
Total assets	<u>36,519,039</u>	<u>37,576,871</u>	(2.82) %
Deferred outflows of resources	<u>3,115,620</u>	<u>-0-</u>	N/A %
Liabilities			
Current liabilities	439,842	1,974,707	(77.73) %
Long-term debt outstanding	12,023,577	12,668,353	(5.09) %
Net pension liability	<u>31,559,240</u>	<u>-0-</u>	N/A %
Total liabilities	<u>44,022,659</u>	<u>14,643,060</u>	200.64 %
Deferred inflows of resources	<u>4,576,383</u>	<u>-0-</u>	N/A %
Net position:			
Net investment in capital assets	18,189,264	17,583,818	3.44 %
Restricted	2,804,302	2,276,438	23.19 %
Unrestricted	<u>(29,957,949)</u>	<u>3,073,555</u>	(1,074.70) %
Total net position	<u>\$ (8,964,383)</u>	<u>\$ 22,933,811</u>	(139.09) %

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

- Decrease in current assets in the amount of \$1,467,260, primarily due to a decrease in cash and cash equivalents of \$1,380,491.
- Increase in net capital assets in the amount of \$224,446, primarily due to the purchase of school buses, less the increase in accumulated depreciation.
- Increase in deferred outflows of resources in the amount of \$3,115,620, primarily due to the implementation of new standards on accounting and financial reporting for pensions.
- Increase in deferred inflows of resources in the amount of \$4,576,383, primarily due to the implementation of new standards on accounting and financial reporting for pensions.
- Decrease in long-term debt outstanding in the amount of \$644,776.
- Increase in net pension liability in the amount of \$31,559,240, due to the implementation of new standards on accounting and financial reporting for pensions.

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (29,957,949)
Unrestricted deficit in net position resulting from recognition of the net pension liability	<u>33,018,364</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 3,060,415</u>

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$30,220,418 and \$28,320,346, respectively. The total cost of all programs and services was \$28,613,423 for 2015 and \$28,109,602 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.

Table 2
Changes in Net Position

	<u>Year Ended</u> <u>June 30, 2015</u>	<u>Year Ended</u> <u>June 30, 2014</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 1,005,820	\$ 1,092,666	(7.95) %
Operating grants and contributions	4,481,094	3,380,618	32.55 %
Capital Grants and Contributions	117,855	117,855	0.00 %
General revenues:			
Property taxes	6,737,207	6,588,996	2.25 %
Grants and contributions not restricted	17,795,385	17,058,966	4.32 %
Investment earnings	11,230	13,909	(19.26) %
Other	71,827	67,336	6.67 %
Total revenues	<u>30,220,418</u>	<u>28,320,346</u>	6.71 %
Expenses:			
Instruction	16,373,665	17,344,600	(5.60) %
Support services	7,796,895	8,206,314	(4.99) %
Non-instructional	1,990,883	2,109,969	(5.64) %
Pension expense	2,099,994	-	N/A %
Interest on long-term liabilities	351,986	448,719	(21.56) %
Total expenses	<u>28,613,423</u>	<u>28,109,602</u>	1.79 %
Increase in net position	<u>1,606,995</u>	<u>210,744</u>	662.53 %
Net Position, July 1, as previously reported	22,933,811	22,620,309	1.39 %
Prior Period Adjustments	<u>(33,505,189)</u>	<u>102,758</u>	(32,705.92) %
Net Position, July 1, as restated	<u>(10,571,378)</u>	<u>22,723,067</u>	(146.52) %
Net Position, June 30	<u>\$ (8,964,383)</u>	<u>\$ 22,933,811</u>	(139.09) %

Figure 1
Sources of Revenues for Fiscal Year 2015

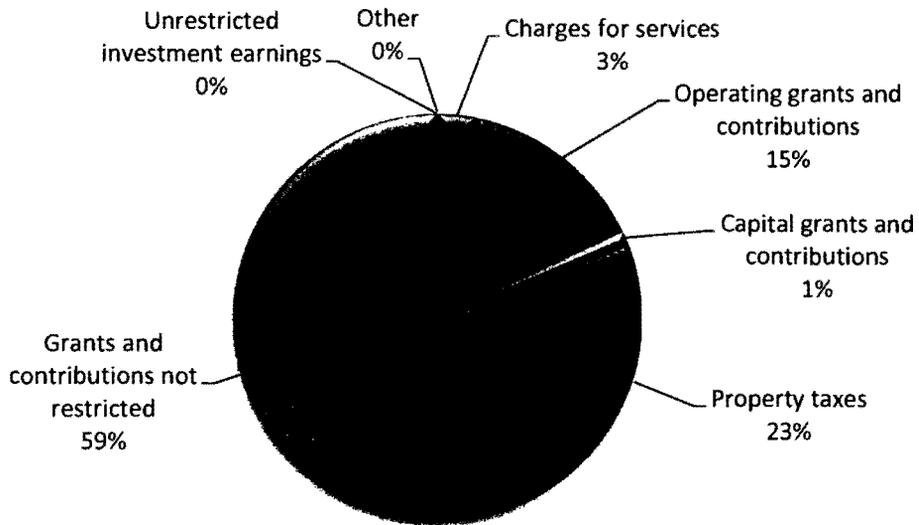
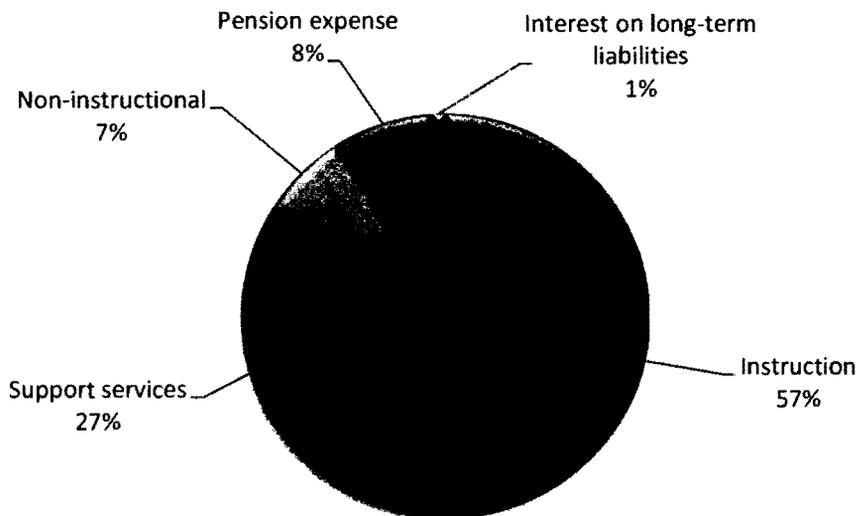


Figure 2
Expenses for Fiscal Year 2015



Governmental activities

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2015	2014	
Instruction	\$ 16,373,665	\$ 17,344,600	(5.60) %
Support services	7,796,895	8,206,314	(4.99) %
Non-instructional	1,990,883	2,109,969	(5.64) %
Pension expense	2,099,994	-0-	N/A %
Interest on long-term liabilities	351,986	448,719	(21.56) %
Total expenses	\$ 28,613,423	\$ 28,109,602	1.79 %

	Net (Expense) Revenue		Percentage Change
	2015	2014	
Instruction	\$ (13,562,704)	\$ (15,199,835)	(10.77) %
Support services	(6,879,446)	(7,642,080)	(9.98) %
Non-instructional	(114,524)	(227,829)	(49.73) %
Pension expense	(2,099,994)	-0-	N/A %
Interest on long-term liabilities	(351,986)	(448,719)	(21.56) %
Total net (expense) revenue	\$ (23,008,654)	\$ (23,518,463)	(2.17) %

- Net cost of governmental activities (\$23,008,654) for 2015 and \$23,518,463 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$6,737,207 for 2015 and \$6,588,996 for 2014) and state and federal revenues (\$17,795,385 for 2015 and \$17,058,966 for 2014).
- Investment earnings amounted to \$11,230 for 2015 and \$13,909 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 \$6,341,249, an increase of \$57,338, which includes prior period adjustments of (\$65,840) and an increase in inventory of \$40,595. \$3,475,149 or 55% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$2,866,100 or 45% is either non-spendable, restricted, or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$7,774, including prior period adjustments of (\$160,000). The fund balance of Other Governmental Funds showed an increase in the amount of \$7,401, including a prior period adjustment of (\$22,630). The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
School Food Service Fund	\$ (372)
IDEA Part B Fund	\$ (120,038)
QSCB Debt Retirement Fund	\$ 178,121

BUDGETARY HIGHLIGHTS

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

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund 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 \$47,359,605, including land, school buildings, building improvements, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$1,263,674 from 2014. Total accumulated depreciation as of June 30, 2015, was \$17,619,341, and total depreciation expense for the year was \$1,075,643, resulting in total net capital assets of \$29,740,264.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2015	June 30, 2014	Percentage Change
Land	\$ 1,161,634	\$ 1,161,634	0.00 %
Buildings	24,470,311	25,168,155	(2.77) %
Building improvements	883,640	926,092	(4.58) %
Improvements other than buildings	982,770	1,026,669	(4.28) %
Mobile equipment	2,063,421	1,039,556	98.49 %
Furniture and equipment	178,488	193,712	(7.86) %
Total	\$ 29,740,264	\$ 29,515,818	0.76 %

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

Debt Administration. At June 30, 2015, the District had \$12,023,577 in outstanding long-term debt, of which \$1,781,664 is due within one year. The liability for compensated absences increased \$19,508 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 2,475,000	\$ 3,030,000	(18.32) %
Limited obligation refunding bonds payable	2,028,000	2,493,000	(18.65) %
Certificates of participation payable	665,000	925,000	(28.11) %
Three mill notes payable	2,256,000	2,484,000	(9.18) %
Obligations under capital lease	1,254,000	-0-	N/A %
Shortfall notes payable	132,809	416,093	(68.08) %
Qualified School Construction bonds payable	2,873,000	3,000,000	(4.23) %
Compensated absences payable	339,768	320,260	6.09 %
Total	<u>\$ 12,023,577</u>	<u>\$ 12,668,353</u>	(5.09) %

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

CURRENT ISSUES

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

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

Enrollment for the 2014- 2015 year increased by 9% to 3,566 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 Itawamba County School District, 605 S. Cummings Street, Fulton, MS 38843.

FINANCIAL STATEMENTS

**ITAWAMBA COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015**

	Exhibit A <u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 4,753,895
Due from other governments	851,908
Other receivables, net	43,029
Inventories	83,789
Restricted assets	1,046,154
Capital assets, non-depreciable:	
Land	1,161,634
Capital assets, net of accumulated depreciation:	
Buildings	24,470,311
Building improvements	883,640
Improvements other than buildings	982,770
Mobile equipment	2,063,421
Furniture and equipment	178,488
Total Assets	<u>36,519,039</u>
Deferred Outflows of Resources	
Current:	
Pensions - district contributions subsequent to the measurement date	2,623,305
Pensions - differences between expected and actual experience	177,092
Noncurrent:	
Pensions - differences between expected and actual experience	315,223
Total deferred outflows of resources	<u>3,115,620</u>
Liabilities	
Accounts payable and accrued liabilities	258,006
Interest payable on long-term liabilities	181,836
Long-term liabilities, due within one year:	
Capital related liabilities	1,682,805
Non-capital related liabilities	98,859
Long-term liabilities, due beyond one year:	
Capital related liabilities	9,868,195
Non-capital related liabilities	373,718
Net pension liability	31,559,240
Total Liabilities	<u>44,022,659</u>
Deferred Inflows of Resources	
Current:	
Unavailable revenue - advalorem tax levy short fall	1,013
Pensions - Net difference between projected and actual earnings on investments	1,143,686
Noncurrent:	
Unavailable revenue - advalorem tax levy short fall	626
Pensions - Net difference between projected and actual earnings on investments	3,431,058
Total deferred inflows of resources	<u>4,576,383</u>
Net Position	
Net investment in capital assets	18,189,264
Restricted for:	
Expendable:	
School-based activities	433,702
Debt service	2,154,252
Capital improvements	125,227
Unemployment benefits	91,121
Unrestricted	(29,957,949)
Total Net Position	<u>\$ (8,964,383)</u>

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 16,373,665	596,147	2,214,814		\$ (13,562,704)
Support services	7,796,895		799,594	117,855	(6,879,446)
Non-instructional	1,990,883	409,673	1,466,686		(114,524)
Pension expense	2,099,994				(2,099,994)
Interest on long-term liabilities	351,986				(351,986)
Total Governmental Activities	\$ 28,613,423	1,005,820	4,481,094	117,855	\$ (23,008,654)
General Revenues:					
Taxes:					
					\$ 5,510,312
					1,226,895
Unrestricted grants and contributions:					
					17,640,562
					154,823
					11,230
					71,827
					<u>24,615,649</u>
					<u>1,606,995</u>
					22,933,811
					<u>(33,505,189)</u>
					<u>(10,571,378)</u>
					<u>\$ (8,964,383)</u>

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2015**

Exhibit C

	Major Funds					Total Governmental Funds
	General Fund	School Food Service Fund	IDEA Part B Fund	QSCB Debt Retirement Fund	Other Governmental Funds	
Assets						
Cash and cash equivalents	\$ 3,695,154	250			1,058,491	\$ 4,753,895
Cash with fiscal agents					243,769	243,769
Investments				802,385		802,385
Due from other governments	294,037	3,546			413,507	711,090
Other Receivables	4,327					4,327
Due from other funds	300,928				266,668	567,596
Inventories		83,789				83,789
Total Assets	<u>\$ 4,294,446</u>	<u>87,585</u>	<u>-0-</u>	<u>802,385</u>	<u>1,982,435</u>	<u>\$ 7,166,851</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 225,644	7,743	6,695		17,924	\$ 258,006
Due to other funds	266,668	79,842	113,343		107,743	567,596
Total Liabilities	<u>492,312</u>	<u>87,585</u>	<u>120,038</u>	<u>-0-</u>	<u>125,667</u>	<u>825,602</u>
Fund Balances:						
Nonspendable:						
Inventory		83,789				83,789
Restricted:						
Debt service				802,385	1,533,703	2,336,088
Capital projects					125,227	125,227
Unemployment benefits					91,121	91,121
Assigned:						
Student activities	326,985				106,717	433,702
Unassigned						
Total Fund Balances	<u>3,475,149</u>	<u>(83,789)</u>	<u>(120,038)</u>	<u>802,385</u>	<u>1,856,768</u>	<u>3,271,322</u>
Total Liabilities and Fund Balances	<u>\$ 4,294,446</u>	<u>87,585</u>	<u>-0-</u>	<u>802,385</u>	<u>1,982,435</u>	<u>\$ 7,166,851</u>

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
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	\$	6,341,249
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	\$ 1,161,634	
Buildings	37,009,059	
Building improvements	1,061,295	
Improvements other than buildings	1,849,373	
Mobile equipment	5,291,276	
Furniture and equipment	986,968	
Accumulated depreciation	<u>(17,619,341)</u>	29,740,264
2. Some of the district's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		
Due from other governments - ad valorem tax levy shortfall	35,094	
Deferred inflows of resources related to ad valorem tax levy shortfall	(1,639)	
Due from other governments - erate revenue	76,846	
Due from other governments - extended school year revenue	28,878	
Other long-term receivables	<u>38,702</u>	177,881
3. Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.		
		(31,559,240)
4. Deferred outflows and inflows are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pensions	3,115,620	
Deferred inflows of resources related to pensions	<u>(4,574,744)</u>	(1,459,124)
5. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	(2,475,000)	
Limited obligation bonds	(2,028,000)	
Qualified school construction bonds	(2,873,000)	
Obligations under certificates of participation	(665,000)	
Obligations under three mill notes	(2,256,000)	
Obligations under shortfall notes	(132,809)	
Obligations under capital lease	(1,254,000)	
Compensated absences	(339,768)	
Accrued interest payable	<u>(181,836)</u>	<u>(12,205,413)</u>
Net position of governmental activities	\$	<u><u>(8,964,383)</u></u>

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
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	School Food Service Fund	IDEA Part B Fund	QSCB Debt Retirement Fund	Other Governmental Funds	
Revenues:						
Local sources	\$ 6,184,765	409,722			1,328,748	\$ 7,923,235
State sources	17,338,933				1,205,239	18,544,172
Federal sources	199,266	1,524,881	1,216,082		948,136	3,888,365
Total Revenues	<u>23,722,964</u>	<u>1,934,603</u>	<u>1,216,082</u>	<u>-0-</u>	<u>3,482,123</u>	<u>30,355,772</u>
Expenditures:						
Instruction	15,607,580		637,226		1,450,229	17,695,035
Support services	8,786,118	118,631	339,336		258,436	9,502,521
Noninstructional services		2,015,976			27,659	2,043,635
Debt service:						
Principal	260,000				1,695,587	1,955,587
Interest	40,210			25,200	296,064	361,474
Other	4,990				1,250	6,240
Total Expenditures	<u>24,698,898</u>	<u>2,134,607</u>	<u>976,562</u>	<u>25,200</u>	<u>3,729,225</u>	<u>31,564,492</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(975,934)</u>	<u>(200,004)</u>	<u>239,520</u>	<u>(25,200)</u>	<u>(247,102)</u>	<u>(1,208,720)</u>
Other Financing Sources (Uses):						
Proceeds of loans	37,303					37,303
Proceeds of capital lease	1,254,000					1,254,000
Operating transfers in	782,978	42,247		203,321	700,553	1,729,099
Operating transfers out	(946,121)		(359,558)		(423,420)	(1,729,099)
Total Other Financing Sources (Uses)	<u>1,128,160</u>	<u>42,247</u>	<u>(359,558)</u>	<u>203,321</u>	<u>277,133</u>	<u>1,291,303</u>
Net Change in Fund Balances	<u>152,226</u>	<u>(157,757)</u>	<u>(120,038)</u>	<u>178,121</u>	<u>30,031</u>	<u>82,583</u>
Fund Balances:						
July 1, 2014, as originally reported	3,809,908	372	-0-	624,264	1,849,367	6,283,911
Prior period adjustments	(160,000)	116,790			(22,630)	(65,840)
July 1, 2014, as restated	<u>3,649,908</u>	<u>117,162</u>	<u>-0-</u>	<u>624,264</u>	<u>1,826,737</u>	<u>6,218,071</u>
Increase in reserve for inventory		40,595				40,595
June 30, 2015	<u>\$ 3,802,134</u>	<u>-0-</u>	<u>(120,038)</u>	<u>802,385</u>	<u>1,856,768</u>	<u>\$ 6,341,249</u>

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2015**

Exhibit D-1

Net change in fund balances - total governmental funds	\$	82,583
Amounts reported for governmental activities in the statement of activities are different because:		
1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	1,512,600	
Depreciation expense	<u>(1,075,643)</u>	436,957
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold.		
		(1,601)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
Bonds and notes issued	(1,291,303)	
Payments of debt principal	1,955,587	
Accrued interest payable	<u>15,729</u>	680,013
4. Pension plan contributions are recognized as expenditures in the governmental funds. However, these contributions are treated as a reduction to the overall net pension liability and are not reported in the Statement of Activities.		
		2,623,305
5. Pension expense is recognized under the accrual basis of accounting in the Statement of Activities, but is not reported in the governmental funds.		
		(2,099,994)
6. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Ad valorem tax levy shortfall	(97,151)	
Change in long-term receivables	(38,204)	
Change in compensated absences	(19,508)	
Change in inventory reserve	<u>40,595</u>	(114,268)
Change in net position of governmental activities	\$	<u><u>1,606,995</u></u>

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
 FIDUCIARY FUNDS STATEMENT OF
 FIDUCIARY ASSETS AND LIABILITIES
 FOR YEAR ENDED JUNE 30, 2015**

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents	\$ 98,778
Total Assets	\$ 98,778
 Liabilities	
Due to student clubs	\$ 98,778
Total Liabilities	\$ 98,778

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2015**

Note 1: Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2015**

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

The school district reports the following major governmental funds:

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

School Food Service Fund – This special revenue fund is used to account for expenditures associated with food service provided to children.

IDEA Part B Fund – This special revenue fund is federally funded and is used to account for expenditures associated with educating special needs children.

QSCB Debt Retirement Fund – This debt service fund accounts for the accumulation of resources for, and the payment of principal, interest, and related costs of the District's Qualified School Construction Bond issue.

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

The District's fiduciary funds include the following:

Payroll Clearing Fund – This fund is used to account for all payroll transactions including salaries and wages, withholding, employee benefits, and payroll taxes.

School Agency Account Funds – These funds are used to account for student club funds.

Accounts Payable Clearing Fund – This fund is used to account for the payment of all claims against the school district.

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2015**

Note 1: Summary of Significant Accounting Policies (Continued)

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

FIDUCIARY FUNDS

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

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

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

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

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.

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2015**

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

Revenues from the Mississippi Adequate Education Program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

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

D. Encumbrances

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2015**

Note 1: Summary of Significant Accounting Policies (Continued)

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2015**

Note 1: Summary of Significant Accounting Policies (Continued)

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements.

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified School Construction Bond sinking funds.

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.

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2015**

Note 1: Summary of Significant Accounting Policies (Continued)

The following schedule details the capitalization thresholds:

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	\$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years

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

7. Deferred outflows/inflows of resources

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

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.

See Note 7 and 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).

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2015**

Note 1: Summary of Significant Accounting Policies (Continued)

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 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. Bond issuance costs are expensed immediately when incurred.

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

10. Pensions

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

11. Fund Balances

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

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

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

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2015**

Note 1: Summary of Significant Accounting Policies (Continued)

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are not restricted. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted. Assignments of fund balance are created by the Superintendent and Business Manager pursuant to authorization established by the policy adopted by the school district.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted 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 (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 (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 assigned resources first, 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 7% 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:

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.

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2015**

Note 2: Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments (Continued)

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) and bond sinking funds (Debt Service 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 \$4,753,895 and \$98,778, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$243,769.

This amount is also reflected as a restricted asset on Exhibit A (see Note 4).

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2015**

Note 2: Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments (Continued)

Investments

As of June 30, 2015, the district had the following investments.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
Trustmark Treasury Securities			
Market Mutual Funds	AAAm	N/A	\$ 802,385

This amount is also reflected as a restricted asset on Exhibit A (see Note 4).

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

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. The instruments in the Hancock Horizon Treasury Securities Money Market Mutual Funds are uninsured and unregistered and are not backed by the full faith and credit of the federal government.

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2015**

Note 3: Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	School Food Service Fund	\$ 79,842
General Fund	IDEA Part B	113,343
General Fund	Other Governmental Funds	107,743
Other Governmental Funds	General Fund	266,668
Total		<u>\$ 567,596</u>

The purpose of the Due from/To other funds balances was to cover deficit cash balances. All balances are expected to be repaid within one year from the date of the financial statements.

B. Inter-fund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	School Food Service Fund	\$ 42,247
General Fund	QSCB Sinking Fund	203,321
General Fund	Other Governmental Funds	700,553
IDEA Part B Fund	General Fund	359,558
Other Governmental Funds	General Fund	423,420
Total		<u>\$ 1,729,099</u>

Transfers were made for budgetary allocations. All transfers were routine and consistent with the fund making the transfer.

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2015**

Note 4: Restricted Assets

The restricted assets represent the cash with fiscal agent balance in the amount of \$243,769 of the MAEP Bonds Capitalized Interest Fund. In addition, the restricted assets represent the investment balance totaling \$802,385 of the QSCB Debt Retirement Fund

Note 5: Capital Assets

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

	Balance 7/1/2014	Increases	Decreases	Adjustments*	Balance 6/30/2015
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,161,634				\$ 1,161,634
Total non-depreciable capital assets	<u>1,161,634</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,161,634</u>
<u>Depreciable capital assets:</u>					
Buildings	37,009,059				37,009,059
Building improvements	1,061,295				1,061,295
Improvements other than buildings	1,849,373				1,849,373
Mobile equipment	4,061,763	1,483,925	14,487	(239,925)	5,291,276
Furniture and equipment	952,807	28,675	15,299	20,785	986,968
Total depreciable capital assets	<u>44,934,297</u>	<u>1,512,600</u>	<u>29,786</u>	<u>(219,140)</u>	<u>46,197,971</u>
<u>Less accumulated depreciation for:</u>					
Buildings	11,840,904	697,844			12,538,748
Building improvements	135,203	42,452			177,655
Improvements other than buildings	822,704	43,899			866,603
Mobile equipment	3,022,207	240,280	13,039	(21,593)	3,227,855
Furniture and equipment	759,095	51,168	15,146	13,363	808,480
Total accumulated depreciation	<u>16,580,113</u>	<u>1,075,643</u>	<u>28,185</u>	<u>(8,230)</u>	<u>17,619,341</u>
Total depreciable capital assets, net	<u>28,354,184</u>	<u>436,957</u>	<u>1,601</u>	<u>(210,910)</u>	<u>28,578,630</u>
Governmental activities capital assets, net	<u>\$ 29,515,818</u>	<u>436,957</u>	<u>1,601</u>	<u>(210,910)</u>	<u>\$ 29,740,264</u>

* - Adjustments were made to capital assets to remove/restate three (3) school buses that were erroneously added to capital assets in the prior year but were not actually purchased until the current year.

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2015**

Note 5: Capital Assets (Continued)

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Governmental activities:	
Instruction	\$ 596,640
Support services	404,171
Non-instructional	74,832
Total depreciation expense	\$ 1,075,643

Note 6: Long-term Liabilities

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

	<u>Balance 7/1/2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2015</u>	<u>Amounts due within one year</u>
A. General obligation bonds payable	\$ 3,030,000	\$	\$ 555,000	\$ 2,475,000	\$ 580,000
B. Limited obligation refunding bonds payable	2,493,000		465,000	2,028,000	480,000
C. Certificates of participation payable	925,000		260,000	665,000	275,000
D. Three mill notes payable	2,484,000		228,000	2,256,000	237,000
E. Shortfall notes payable	416,093	37,303	320,587	132,809	98,859
F. Obligations under capital leases	-0-	1,254,000		1,254,000	110,805
G. Qualified school construction bonds payable	3,000,000		127,000	2,873,000	-0-
H. Compensated absences payable	320,260	19,508		339,768	-0-
Total	\$ 12,668,353	\$ 1,310,811	\$ 1,955,587	\$ 12,023,577	\$ 1,781,664

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2015**

Note 6: Long-term Liabilities (Continued)

A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds,					
Series 2003	3.5 - 4.0%	4/1/2003	4/1/2019	\$ 6,700,000	2,475,000
Total				\$ 6,700,000	2,475,000

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 580,000	\$ 92,273	\$ 672,273
2017	605,000	71,393	676,393
2018	630,000	48,705	678,705
2019	660,000	25,080	685,080
Total	\$ 2,475,000	\$ 237,451	\$ 2,712,451

This debt will be retired from the Bond Issue Retirement Fund.

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2015, the amount of outstanding bonded indebtedness was equal to 2% of property assessments as of October 1, 2014.

B. Limited obligation refunding bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement bonds,					
Series 2008	3.32%	4/15/2008	2/1/2018	\$ 4,282,000	2,028,000
Total				\$ 4,282,000	2,028,000

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2015**

Note 6: Long-term Liabilities (Continued)

B. Limited obligation refunding bonds payable (Continued)

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 480,000	\$ 59,362	\$ 539,362
2017	496,000	43,160	539,160
2018	1,052,000	26,411	1,078,411
Total	<u>\$ 2,028,000</u>	<u>\$ 128,933</u>	<u>\$ 2,156,933</u>

This debt will be retired from the MAEP Debt Fund.

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

C. Certificates of participation payable

As more fully explained in Note 12, certificates of participation have been issued by the school district. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series 1998	4.5-5.7%	6/1/1998	6/1/2018	\$ 1,300,000	285,000
Series 2001	3.1-4.8%	10/1/2001	10/1/2016	2,200,000	380,000
Total				<u>\$ 3,500,000</u>	<u>665,000</u>

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

1. Certificates of participation issue date of 6/1/1998:

Year Ending June 30	Principal	Interest	Total
2016	\$ 90,000	\$ 13,965	\$ 103,965
2017	95,000	9,555	104,555
2018	100,000	4,900	104,900
Total	<u>\$ 285,000</u>	<u>\$ 28,420</u>	<u>\$ 313,420</u>

This debt will be retired from the District Maintenance Fund.

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2015**

Note 6: Long-term Liabilities (Continued)

C. Certificates of participation payable (Continued)

2. Certificates of Participation issue date of 10/1/2001:

Year Ending June 30	Principal	Interest	Total
2016	\$ 185,000	\$ 13,708	\$ 198,708
2017	195,000	4,680	199,680
Total	<u>\$ 380,000</u>	<u>\$ 18,388</u>	<u>\$ 398,388</u>

This debt will be retired from the District Maintenance fund.

Total certificates of participation payments for all issues:

Year Ending June 30	Principal	Interest	Total
2016	\$ 275,000	\$ 27,673	\$ 302,673
2017	290,000	14,235	304,235
2018	100,000	4,900	104,900
Total	<u>\$ 665,000</u>	<u>\$ 46,808</u>	<u>\$ 711,808</u>

D. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Note, Series 2009	3.97%	7/15/2008	7/15/2023	\$ 3,500,000	2,256,000
Total				<u>\$ 3,500,000</u>	<u>2,256,000</u>

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 237,000	\$ 89,563	\$ 326,563
2017	200,000	80,154	280,154
2018	260,000	72,214	332,214
2019	330,000	61,892	391,892
2020-2024	1,229,000	136,806	1,365,806
Total	<u>\$ 2,256,000</u>	<u>\$ 440,629</u>	<u>\$ 2,696,629</u>

The debt will be retired from the Three Mill Debt Retirement Fund.

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2015**

Note 6: Long-term Liabilities (Continued)

E. Shortfall notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series 2012	2.67%	8/15/2012	8/15/2015	\$ 228,393	78,145
Series 2013	2.23%	10/15/2013	10/15/2016	25,758	17,361
Series 2014	2.50%	11/10/2014	11/10/2017	37,303	37,303
Total				\$ 291,454	132,809

1. Shortfall notes payable issue of 8/15/2012:

Year Ending June 30	Principal	Interest	Total
2016	\$ 78,145	\$ 2,086	\$ 80,231
Total	\$ 78,145	\$ 2,086	\$ 80,231

This debt will be retired from the Shortfall Debt Retirement Fund.

2. Shortfall notes payable issue of 10/15/2013:

Year Ending June 30	Principal	Interest	Total
2016	\$ 8,585	\$ 387	\$ 8,972
2017	8,776	196	8,972
Total	\$ 17,361	\$ 583	\$ 17,944

This debt will be retired from the Shortfall Debt Retirement Fund.

3. Shortfall notes payable issue of 11/10/2014:

Year Ending June 30	Principal	Interest	Total
2016	\$ 12,129	\$ 933	\$ 13,062
2017	12,432	629	13,061
2018	12,742	319	13,061
Total	\$ 37,303	\$ 1,881	\$ 39,184

This debt will be retired from the Shortfall Debt Retirement Fund.

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2015**

Note 6: Long-term Liabilities (Continued)

E. Shortfall notes payable (Continued)

Total shortfall notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2016	\$ 98,859	\$ 3,406	\$ 102,265
2017	21,208	825	22,033
2018	12,742	319	13,061
Total	<u>\$ 132,809</u>	<u>\$ 4,550</u>	<u>\$ 137,359</u>

F. Obligations under capital lease

The school district has entered into a lease agreement as lessee for financing the acquisition of school buses at a cost of \$1,244,000. This lease qualifies as a capital lease for accounting purposes. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Obligations under capital lease	2.72%	12/15/2014	12/15/2024	\$ 1,254,000	1,254,000
Total				<u>\$ 1,254,000</u>	<u>1,254,000</u>

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 110,805	\$ 34,109	\$ 144,914
2017	113,819	31,095	144,914
2018	116,915	27,999	144,914
2019	120,095	24,819	144,914
2020	123,362	21,552	144,914
2021-2025	669,004	55,567	724,571
Total	<u>\$ 1,254,000</u>	<u>\$ 195,141</u>	<u>\$ 1,449,141</u>

This debt will be retired from the District Maintenance Fund.

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2015**

Note 6: Long-term Liabilities (Continued)

G. 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. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series 2010	0.84%	1/15/2010	9/15/2024	\$ 3,000,000	2,873,000
Total				<u>\$ 3,000,000</u>	<u>2,873,000</u>

See Note 13 for additional details pertaining to the above debt issue including a schedule of required sinking fund payments.

This debt will be retired from the QSCB Debt Retirement Fund.

H. Compensated absences payable

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

Note 7: Defined Benefit Pension Plan

General Information about the Pension Plan

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

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring.

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2015**

Note 7: Defined Benefit Pension Plan (Continued)

Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2015, 2014 and 2013 were \$2,623,305, \$2,483,761 and \$2,238,077, 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 \$31,559,240 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 0.26 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$2,099,994. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2015**

Note 7: Defined Benefit Pension Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 492,315	\$ -0-
Net difference between projected and actual earnings on pension plan investments	-0-	4,574,744
District contributions subsequent to the measurement date	2,623,305	-0-
Total	\$ 3,115,620	\$ 4,574,744

\$2,623,305 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 Ending June 30	Amount
2016	\$ 966,594
2017	966,594
2018	1,005,554
2019	1,143,687
Total	\$ 4,082,429

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.

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2015**

Note 7: Defined Benefit Pension Plan (Continued)

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	34 %	5.20 %
International Equity	19	5.00
Emerging Markets Equity	8	5.45
Fixed Income	20	0.25
Real Assets	10	4.00
Private Equity	8	6.15
Cash	1	(0.50)
Total	<u>100 %</u>	

Discount rate. The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
District's proportionate share of the net pension liability	\$ 43,024,654	\$ 31,559,240	\$ 21,995,379

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2015**

Note 8: Prior Period Adjustments

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

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
<i>Governmental Activities</i>	
1 Implementation of GASB 68 and 71:	
Net pension liability (measurement date)	\$ (36,025,436)
Deferred outflows - contributions made during fiscal year 2014	<u>2,483,761</u>
Total related to implementation of GASB 68 and 71	(33,541,675)
2 To correct advalorem shortfall due from local government	130,606
3 To correct capital assets	(210,910)
4 To correct Child Nutrition receivable	<u>116,790</u>
Total	<u>\$ (33,505,189)</u>

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

<u>Explanation</u>	<u>Amount</u>
<i>General Fund</i>	
1 To correct E-Rate receivable	\$ (121,298)
2 To correct other receivables	<u>(38,702)</u>
Total General Fund	<u>(160,000)</u>
<i>School Food Service Fund</i>	
3 To correct Child Nutrition receivable	<u>116,790</u>
Total School Food Service Fund	<u>116,790</u>
<i>Other Governmental Funds</i>	
4 To correct ESY receivable	<u>(22,630)</u>
Total Other Governmental Funds	<u>(22,630)</u>
Total Governmental Funds	<u>\$ (65,840)</u>

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2015**

Note 9: Deficit Fund Balance of Individual Funds

A general listing of the individual funds that have a deficit fund balance, including amounts of the deficit, is as follows:

<u>Fund</u>	<u>Fund Balance</u>
<i>Major Funds:</i>	
IDEA Part B Fund	\$ (120,038)
<i>Other Governmental Funds:</i>	
Extended School Year Fund	(28,878)

The deficit fund balances, as listed above, are in violation of Section 37-61-19, Miss. Code Ann. (1972). These deficits could have been eliminated with a transfer from the District Maintenance Fund (General Fund). Section 37-61-21, Miss. Code Ann. (1972), allows the school board of the school district, with the assistance from the superintendent, to transfer resources to and from functions and funds within the budget when and where needed under certain circumstances.

Note 10: 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 11: Risk Management

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2015**

Note 12: Trust Certificates

A trust agreement date June 1, 1998, was executed by and between the school district and the Itawamba County School District Finance Corporation, with the People's Bank of Biloxi, Mississippi as trustee. The trust agreement authorized the issuance of trust certificates in the principal amount of \$1,300,000. The proceeds are to be used for capital improvements within the school district.

Another trust agreement dated October 1, 2001, was executed by and between the school district and the Itawamba County School District Finance Corporation, with the First National Bank of Clarksdale, Mississippi as trustee. The trust agreement authorized the issuance of trust certificates in the principal amount of \$2,200,000. The proceeds are to be used for capital improvements within the school district.

The above projects are leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-51, et seq., Miss. Code Ann. (1972). The leases represent capital leases under which ownership of the projects will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustees in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustees to pay the principal and interest payments due on the trust certificates.

It is not anticipated the projects will have sufficient value to satisfy the certificates in the event the school district defaults under the leases; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 6 for the details regarding the debt service requirement on the trust certificates.

Using the guidance provided in Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, equity, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2015**

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. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

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

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2015 was \$802,385. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt.

The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2016	\$ 187,500
2017	187,500
2018	187,500
2019	187,500
2020	187,500
2021-2025	937,500
2026-2030	187,500
Total	\$ <u>2,062,500</u>

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED JUNE 30, 2015**

Note 14: Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$29,957,949) includes the effect of deferring the recognition of the net difference between expected and actual experience relating to the defined benefit pension plan. The \$492,315 balance of the net deferred outflow of resources at June 30, 2015 will be recognized as expense and decrease unrestricted net position over the next 3 years.

Unrestricted net position also includes the effect of deferring the recognition of the net difference between projected and actual earnings on defined benefit pension plan investments. The \$4,574,744 balance of the net deferred inflow of resources at June 30, 2015 will be recognized as income and increase unrestricted net position over the next 4 years.

Unrestricted net position also includes the effect of deferring the recognition of debt service reimbursements for shortfall note interest payments. The \$1,639 balance of the deferred inflow of resources at June 30, 2015 will be recognized as income and increase restricted net position over the next 3 years.

Note 15: Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Itawamba County School District evaluated the activity of the district through January 15, 2016, (the date the financial statements were available to be issued), and determined no subsequent event has occurred that requires disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**ITAWAMBA COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 6,037,747	\$ 6,295,608	\$ 6,184,765	\$ 257,861	\$ (110,843)
State sources	17,845,879	17,325,608	17,338,933	(520,271)	13,325
Federal sources	188,874	80,450	199,266	(108,424)	118,816
Total Revenues	<u>24,072,500</u>	<u>23,701,666</u>	<u>23,722,964</u>	<u>(370,834)</u>	<u>21,298</u>
Expenditures:					
Instruction	15,142,440	15,594,255	15,607,580	(451,815)	(13,325)
Support services	7,279,015	8,752,686	8,786,118	(1,473,671)	(33,432)
Facilities acquisition and construction		33,432		(33,432)	33,432
Debt service:					
Principal	435,000	260,000	260,000	175,000	-0-
Interest	92,170	40,210	40,210	51,960	-0-
Other	5,500	4,990	4,990	510	-0-
Total Expenditures	<u>22,954,125</u>	<u>24,685,573</u>	<u>24,698,898</u>	<u>(1,731,448)</u>	<u>(13,325)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>1,118,375</u>	<u>(983,907)</u>	<u>(975,934)</u>	<u>(2,102,282)</u>	<u>7,973</u>
Other Financing Sources (Uses):					
Proceeds of loans			37,303	-0-	37,303
Proceeds of capital lease		1,254,000	1,254,000	1,254,000	-0-
Operating transfers in	2,820,141	3,132,238	782,978	312,097	(2,349,260)
Operating transfers out	<u>(3,319,779)</u>	<u>(3,283,643)</u>	<u>(946,121)</u>	<u>36,136</u>	<u>2,337,522</u>
Total Other Financing Sources (Uses)	<u>(499,638)</u>	<u>1,102,595</u>	<u>1,128,160</u>	<u>1,602,233</u>	<u>25,565</u>
Net Change in Fund Balances	<u>618,737</u>	<u>118,688</u>	<u>152,226</u>	<u>(500,049)</u>	<u>33,538</u>
Fund Balances:					
July 1, 2014, as previously reported	4,803,435	3,809,759	3,809,908	(993,676)	149
Prior period adjustments			<u>(160,000)</u>	<u>-0-</u>	<u>(160,000)</u>
July 1, 2014, as restated	<u>4,803,435</u>	<u>3,809,759</u>	<u>3,649,908</u>	<u>(993,676)</u>	<u>(159,851)</u>
June 30, 2015	<u>\$ 5,422,172</u>	<u>\$ 3,928,447</u>	<u>\$ 3,802,134</u>	<u>\$ (1,493,725)</u>	<u>\$ (126,313)</u>

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – SCHOOL FOOD SERVICE FUND
FOR YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 533,075	\$ 424,382	\$ 409,722	\$ (108,693)	\$ (14,660)
Federal sources	1,602,000	1,640,358	1,524,881	38,358	(115,477)
Total Revenues	<u>2,135,075</u>	<u>2,064,740</u>	<u>1,934,603</u>	<u>(70,335)</u>	<u>(130,137)</u>
Expenditures:					
Support services	112,215	118,631	118,631	(6,416)	-0-
Noninstructional services	1,979,746	1,974,391	2,015,976	5,355	(41,585)
Total Expenditures	<u>2,091,961</u>	<u>2,093,022</u>	<u>2,134,607</u>	<u>(1,061)</u>	<u>(41,585)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>43,114</u>	<u>(28,282)</u>	<u>(200,004)</u>	<u>(71,396)</u>	<u>(171,722)</u>
Other Financing Sources (Uses):					
Operating transfers in		30,509	42,247	30,509	11,738
Total Other Financing Sources (Uses)	<u>-0-</u>	<u>30,509</u>	<u>42,247</u>	<u>30,509</u>	<u>11,738</u>
Net Change in Fund Balances	<u>43,114</u>	<u>2,227</u>	<u>(157,757)</u>	<u>(40,887)</u>	<u>(159,984)</u>
Fund Balances:					
July 1, 2014, as previously reported	372	372	372	-0-	-0-
Prior period adjustments			116,790	-0-	116,790
July 1, 2014	<u>372</u>	<u>372</u>	<u>117,162</u>	<u>-0-</u>	<u>116,790</u>
Increase in reserve for inventory			40,595		40,595
June 30, 2015	<u>\$ 43,486</u>	<u>\$ 2,599</u>	<u>\$ -0-</u>	<u>\$ (40,887)</u>	<u>\$ (2,599)</u>

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – IDEA PART B FUND
FOR YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ -0-	\$ 383	\$	\$ 383	\$ (383)
Federal sources	\$ 789,938	\$ 1,335,737	\$ 1,216,082	\$ 545,799	\$ (119,655)
Total Revenues	<u>789,938</u>	<u>1,336,120</u>	<u>1,216,082</u>	<u>546,182</u>	<u>(120,038)</u>
Expenditures:					
Instruction	589,950	637,226	637,226	(47,276)	-0-
Support services	<u>325,078</u>	<u>339,336</u>	<u>339,336</u>	<u>(14,258)</u>	<u>-0-</u>
Total Expenditures	<u>915,028</u>	<u>976,562</u>	<u>976,562</u>	<u>(61,534)</u>	<u>-0-</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(125,090)</u>	<u>359,558</u>	<u>239,520</u>	<u>484,648</u>	<u>(120,038)</u>
Other Financing Sources (Uses):					
Operating transfers in	74,888			(74,888)	-0-
Operating transfers out		(359,558)	(359,558)	(359,558)	-0-
Total Other Financing Sources (Uses)	<u>74,888</u>	<u>(359,558)</u>	<u>(359,558)</u>	<u>(434,446)</u>	<u>-0-</u>
Net Change in Fund Balances	<u>(50,202)</u>	<u>-0-</u>	<u>(120,038)</u>	<u>50,202</u>	<u>(120,038)</u>
Fund Balances:					
July 1, 2014	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
June 30, 2015	<u>\$ (50,202)</u>	<u>\$ -0-</u>	<u>\$ (120,038)</u>	<u>\$ 50,202</u>	<u>\$ (120,038)</u>

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS***

		<u>2015</u>
District's proportion of the net pension liability		0.26%
District's proportionate share of the net pension liability	\$	31,559,240
District's covered-employee payroll		15,769,911
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll		200.12%
Plan fiduciary net position as a percentage of the total pension liability		67.21%

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

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

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
PERS
LAST TEN FISCAL YEARS**

	<u>2015</u>
Contractually required contribution	\$ 2,623,305
Contributions in relation to the contractually required contribution	(2,623,305)
Contribution deficiency (excess)	\$ <u><u>-0-</u></u>
 District's covered-employee payroll	 16,655,905
Contributions as a percentage of covered-employee payroll	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 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.

**ITAWAMBA COUNTY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR YEAR ENDED JUNE 30, 2015**

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

SUPPLEMENTARY INFORMATION

**ITAWAMBA COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR 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 \$	409,745
National school lunch program	10.555	1,214,714
Total child nutrition cluster		1,624,459
Total passed-through Mississippi Department of Education		1,624,459
Total U.S. Department of Agriculture		1,624,459
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The School Libraries Program of the Universal Service Fund	32.XXX	118,824
Total Federal Communications Commission		118,824
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Career and technical education - basic grants to states	84.048	26,816
Rural education	84.358	57,507
Improving teacher quality-State Grants	84.367	183,800
Subtotal		268,123
Title I Part A cluster:		
Title I grants to local educational agencies	84.010	633,755
Total Title I Part A cluster		633,755
Special education cluster:		
Special education - grants to states	84.027	1,336,121
Special education - preschool grants	84.173	46,258
Total special education cluster		1,382,379
Total passed-through Mississippi Department of Education		2,284,257
Total U.S. Department of Education		2,284,257
Total for All Federal Awards	\$	4,027,540

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.

**ITAWAMBA COUNTY SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL, ADMINISTRATIVE, AND
OTHER EXPENDITURES – GOVERNMENTAL FUNDS
FOR YEAR ENDED JUNE 30, 2015**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits \$	17,089,260	13,533,263	555,549	1,275,930	1,724,518
Other	14,475,232	6,021,252	453,637	535,355	7,464,988
Total	\$ 31,564,492	19,554,515	1,009,186	1,811,285	9,189,506
Total number of students	3,566				
Cost per student	\$ 8,852	5,484	283	508	2,577

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 - (all the 1000, 2100, & 2200 functional codes.)

General Administration - includes expenditures for the following functions: Support Services - General Administration (2300s); and Support Services - Business (2500s).

School Administration - includes expenditures for the following function: Support Services - School Administration (2400s).

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – GENERAL FUND
LAST FOUR YEARS**

	2015	UNAUDITED		
		2014*	2013*	2012*
Revenues:				
Local sources	\$ 6,184,765	\$ 5,973,147	\$ 5,768,986	\$ 5,915,724
State sources	17,338,933	16,545,279	16,531,955	16,584,842
Federal sources	199,266	174,269	120,781	108,259
Total Revenues	<u>23,722,964</u>	<u>22,692,695</u>	<u>22,421,722</u>	<u>22,608,825</u>
Expenditures:				
Instruction	15,607,580	14,816,544	14,592,681	13,808,948
Support services	8,786,118	7,481,464	7,018,096	6,580,470
Facilities acquisition and construction	-0-	-0-	43,767	36,969
Debt service:				
Principal	260,000	250,000	80,000	230,000
Interest	40,210	77,160	29,813	98,918
Other	4,990	3,065	3,040	3,390
Total Expenditures	<u>24,698,898</u>	<u>22,628,233</u>	<u>21,767,397</u>	<u>20,758,695</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(975,934)</u>	<u>64,462</u>	<u>654,325</u>	<u>1,850,130</u>
Other Financing Sources (Uses):				
Bonds and notes issued	37,303	25,758	228,393	692,292
Proceeds of capital lease	1,254,000	-0-	-0-	-0-
Sale of Transportation Equipment	-0-	-0-	-0-	326
Operating transfers in	782,978	-0-	800,250	2,879
Operating transfers out	<u>(946,121)</u>	<u>(1,360,470)</u>	<u>(683,510)</u>	<u>(1,502,154)</u>
Total Other Financing Sources (Uses)	<u>1,128,160</u>	<u>(1,334,712)</u>	<u>345,133</u>	<u>(806,657)</u>
Net Change in Fund Balances	<u>152,226</u>	<u>(1,270,250)</u>	<u>999,458</u>	<u>1,043,473</u>
Fund Balances:				
Beginning of period, as originally reported	3,809,908	5,080,158	4,080,700	3,037,227
Prior period adjustments	<u>(160,000)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Beginning of period, as restated	<u>3,649,908</u>	<u>5,080,158</u>	<u>4,080,700</u>	<u>3,037,227</u>
End of Period	<u>\$ 3,802,134</u>	<u>\$ 3,809,908</u>	<u>\$ 5,080,158</u>	<u>\$ 4,080,700</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

**ITAWAMBA COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – ALL GOVERNMENTAL FUNDS
LAST FOUR YEARS**

	UNAUDITED			
	2015	2014*	2013*	2012*
Revenues:				
Local sources	\$ 7,923,235	\$ 7,762,909	\$ 7,561,749	\$ 7,800,177
State sources	18,544,172	17,797,409	17,821,036	17,747,433
Federal sources	3,888,365	2,760,029	3,516,326	3,656,308
Total Revenues	30,355,772	28,320,347	28,899,111	29,203,918
Expenditures:				
Instruction	17,695,035	16,685,973	17,327,874	16,523,298
Support services	9,502,521	8,221,301	7,725,714	7,902,596
Noninstructional services	2,043,635	2,087,864	1,603,703	2,015,818
Sixteenth Section	-0-	-0-	2,035	-0-
Facilities acquisition and construction	-0-	-0-	1,029,905	421,900
Debt service:				
Principal	1,955,587	1,855,235	1,826,059	1,536,534
Interest	361,474	424,373	481,745	611,118
Other	6,240	8,205	7,930	8,315
Total Expenditures	31,564,492	29,282,951	30,004,965	29,019,579
Excess (Deficiency) of Revenues over (under) Expenditures	(1,208,720)	(962,604)	(1,105,854)	184,339
Other Financing Sources (Uses):				
Bonds and notes issued	37,303	25,758	228,393	692,292
Proceeds of capital lease	1,254,000	-0-	-0-	-0-
Sale of transportation equipment	-0-	-0-	-0-	326
Payment held by escrow agent	-0-	-0-	175,000	-0-
Payment to QSCB escrow agent	-0-	-0-	(175,000)	-0-
Operating transfers in	1,729,099	1,375,238	1,483,760	1,505,033
Operating transfers out	(1,729,099)	(1,375,238)	(1,483,760)	(1,505,033)
Total Other Financing Sources (Uses)	1,291,303	25,758	228,393	692,618
Net Change in Fund Balances	82,583	(936,846)	(877,461)	876,957
Fund Balances:				
Beginning of period, as originally reported	6,283,911	7,254,654	8,140,111	7,270,549
Prior period adjustments	(65,840)	(18,768)	(21,987)	-0-
Beginning of period, as restated	6,218,071	7,235,886	8,118,124	7,270,549
Increase (Decrease) in reserve for inventory	40,595	(15,129)	13,991	(7,395)
End of Period	\$ 6,341,249	\$ 6,283,911	\$ 7,254,654	\$ 8,140,111

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

J.E. VANCE & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

825 JEFFERSON STREET
POST OFFICE BOX 1280
TUPELO, MISSISSIPPI 38802

(662) 842-2123
FACSIMILE (662) 841-6809
E-MAIL: jev@jevance.com

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

Superintendent and School Board
Itawamba County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Itawamba County School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 15, 2016.

Internal Control Over Financial Reporting

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

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

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as 2015-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Itawamba County School District's Response to Findings

Itawamba County School District's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. Itawamba County School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Tupelo, MS
January 15, 2016

A handwritten signature in cursive script that reads "J. G. Vance + Company". The signature is written in dark ink and is positioned to the right of the date and location text.

J.E. VANCE & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

825 JEFFERSON STREET
POST OFFICE BOX 1280
TUPELO, MISSISSIPPI 38802

(662) 842-2123
FACSIMILE (662) 841-6809
E-MAIL: jev@jevance.com

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

Superintendent and School Board
Itawamba County School District

Report on Compliance for Each Major Federal Program

We have audited Itawamba County School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Adverse Opinion on the Special Education Cluster (IDEA) Program

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding CFDA #'s 84.027, 84.173 Special Education Cluster (IDEA) as described in finding numbers 2015-2 for Cash Management, 2015-3 for Financial Reporting, and 2015-4 for Financial Reporting. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Adverse Opinion on the Special Education Cluster (IDEA) Program

In our opinion, because of the significance of the effects of the noncompliance described in the Basis for Adverse Opinion paragraph, the District did not comply, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Special Education Cluster Program for the year ended June 30, 2015.

Basis for Qualified Opinion on the Child Nutrition Cluster Program

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding CFDA #'s 10.553, 10.555 Child Nutrition Cluster as described in finding numbers 2015-5 for Cash Management and 2015-6 for Financial Reporting. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Qualified Opinion on the Child Nutrition Cluster Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster Program for the year ended June 30, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

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

Other Matters

The District's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The 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 the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2015-2, 2015-3, 2015-5, and 2015-6 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2015-4 to be a significant deficiency.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The 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.

Tupelo, MS
January 15, 2016



J.E. VANCE & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

825 JEFFERSON STREET
POST OFFICE BOX 1280
TUPELO, MISSISSIPPI 38802

(662) 842-2123

FACSIMILE (662) 841-6809

E-MAIL: jev@jevance.com

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

Superintendent and School Board
Itawamba County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Itawamba County School District as of and for the year ended June 30, 2015, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 15, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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

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

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

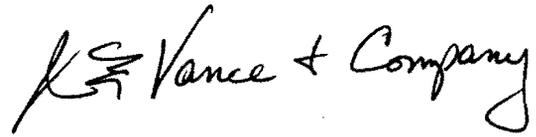
The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

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

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

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

Tupelo, MS
January 15, 2016

Handwritten signature in cursive script that reads "R. E. Vance + Company".

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**ITAWAMBA COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR YEAR ENDED JUNE 30, 2015**

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- | | |
|---|---------------|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? | Yes |
| b. Significant deficiency(ies) identified? | None Reported |
| 5. Type of auditor's report issued on compliance for major programs: | See #7 Below |
| 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:

CFDA Numbers	Name of Federal Program or Cluster	Type of Opinion Issued
10.553, 10.555	Child Nutrition Cluster	Qualified
84.010	Title I, Part A	Unmodified
84.027, 84.173	Special Education Cluster	Adverse

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

**ITAWAMBA COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2015**

Section II: Financial Statement Findings

2015-1 Controls over financial statement preparation should be strengthened.

Finding

An effective system of internal control over financial statement presentation and reporting in accordance with generally accepted accounting principles should include all disclosures in the notes to the financial statements, proper classification of revenues and expenditures, inclusion of all assets, liabilities, revenues and expenditures of the county and proper posting of transactions. We noted the following deficiencies in financial statement preparation and reporting.

1. Inter-fund loans from the General Fund to various other funds were erroneously classified as transfers.
2. Federal E-rate revenues of \$118,824 for the General Fund were misclassified as local source miscellaneous revenue.
3. Revenues which did not provide current financial resources were recorded as receivable in the governmental funds, including \$76,846 federal source revenue, \$28,878 state source revenue, and \$38,702 local source revenue.
4. Prior year federal revenues of \$116,790 for the School Food Service Fund were included in revenues for the 2015 fiscal year.
5. Intergovernmental receivables for the IDEA Part B Fund were overstated by \$120,038.
6. Shortfall note proceeds of \$37,303 were misclassified as local source advalorem revenue.

Audit adjustments to correct these deficiencies were proposed to management and made to the financial statements with management's approval.

Recommendation

The Board of Education should implement a system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles that includes presentation of the required note disclosures, proper classifications of revenues and expenditures, inclusion of all assets, liabilities, revenues and expenditures in the financial statements and the proper posting of transactions.

**ITAWAMBA COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2015**

Section III: Federal Award Findings and Questioned Costs

2015-2: Program: Special Education Cluster (IDEA), CFDA Numbers 84.027, 84.173

Material Weakness in Internal Control over Compliance

Finding

The District is responsible for establishing an effective internal control system to ensure that federal funds are drawn as needed for immediate needs. During the course of our audit, it was discovered that the District had not submitted requests for reimbursement in a timely manner under the IDEA Program, resulting in insufficient funds to pay for the District's immediate obligations, and necessitating inter-fund loans from the General Fund to cover the deficiency of funds. This is a Cash Management finding under the requirements of CFDA/s 84.027 / 84.173. Failure to implement proper cash management procedures could result in the deprivation of public funds for other purposes.

Recommendation

The District should take steps to ensure that federal funds are drawn as needed in order to meet immediate obligations.

2015-3: Program: Special Education Cluster (IDEA), CFDA Numbers 84.027, 84.173

Material Weakness in Internal Control over Compliance

Finding

The District is responsible for establishing an effective internal control system to ensure that budget revisions under Federal award programs are submitted to the applicable oversight agency for approval. During our audit, it was discovered that the original budget for the Special Education (IDEA) Program was not timely amended as required by 34 CFR 74.25. This is a Financial Reporting finding under the requirements of CFDA/s 84.027 / 84.173. Failure to submit amended Federal program budgets for approval could result in the loss of public funds.

Recommendation

The District should take steps to ensure that Federal program budgets are timely amended and submitted for approval as necessary.

**ITAWAMBA COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2015**

Section III: Federal Award Findings and Questioned Costs (Continued)

2014-4: Program: Special Education Cluster (IDEA), CFDA Numbers 84.027, 84.173

Significant Deficiency in Internal Control over Compliance

Finding

The District is responsible for establishing an effective internal control system to ensure that it submits all required financial reports to the State Department of Education in order to assist the State in complying with reporting requirements under 34 CFR 76.720 and in carrying out other responsibilities under each federal program, 34 CFR 76.722. During the course of our audit, it was discovered that the District had not submitted the required yearly report of expenditures under the Special Education Program by the due date prescribed by the State Department of Education (September 30, 2015). This is a Financial Reporting finding under the requirements of CFDA/s 84.027 / 84.173. Failure to submit financial reporting data to the State Department of Education in a timely manner could result in the loss of public funds.

Recommendation

The District should take steps to ensure that all required financial reports are timely submitted to the State Department of Education.

2015-5: Program: Child Nutrition Cluster, CFDA Numbers 10.553, 10.555

Material Weakness in Internal Control over Compliance

Finding

The District is responsible for establishing an effective internal control system to ensure that federal funds are drawn as needed for immediate needs. 7 CFR Part 210.8 states that in order for the school district to be entitled to reimbursement, they shall submit to the Office of Child Nutrition a monthly claim for reimbursement. The Policies and Procedures Manual for Child Nutrition Programs in Mississippi states that this claim is due at the Office of Child Nutrition on the 10th of the month following the reporting month. During the course of our audit, it was discovered that ten out of ten cash requests for reimbursements were submitted after the 10th of the month following the reporting month. This is a Cash Management finding under the requirements of CFDA/s 10.553 / 10.555. Failure to implement proper cash management procedures could result in the deprivation of public funds for other purposes.

Recommendation

The District should take steps to ensure that federal funds are drawn as needed in order to meet immediate obligations.

**ITAWAMBA COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR YEAR ENDED JUNE 30, 2015**

Section III: Federal Award Findings and Questioned Costs (Continued)

2015-6: Program: Child Nutrition Cluster, CFDA Numbers 10.553, 10.555

Material Weakness in Internal Control over Compliance

Finding

The District is responsible for establishing an effective internal control system over financial reporting. During the course of our audit, it was discovered that the District had overstated federal revenues under the Child Nutrition Program by \$116,790, due to unrecorded receivables from the prior year. This is a Financial Reporting finding under the requirements of CFDA/s 10.553 / 10.555. Failure to implement proper financial reporting procedures could result in the loss of public funds.

Recommendation

The District should take steps to ensure that federal revenues are reported as they are earned.

ITAWAMBA COUNTY SCHOOL DISTRICT
605 South Cummings Street
Fulton, MS 38843

Michael Nanney
Superintendent of Education

Phone 662-862-2159
Fax 662-862-4713

**CORRECTIVE ACTION PLAN
FOR YEAR ENDED JUNE 30, 2015**

Section II – Financial Statement Findings

Finding: 2015-1

Name of contact person: Jennifer S. Gray, Business Administrator

Corrective Action: The District will establish controls and procedures to improve financial statement preparation and reporting.

Proposed Completion Date: The District will complete this corrective action plan during the closing of fiscal year 2015-2016.

Section III – Federal Award Findings and Questioned Costs

Finding: 2015-2

Name of contact person: Jennifer S. Gray, Business Administrator

Corrective Action: The District will establish controls and procedures to ensure that federal funds are drawn as needed in order to meet immediate obligations.

Proposed Completion Date: The District has completed implementation of this corrective action plan.

Finding: 2015-3

Name of contact person: Jennifer S. Gray, Business Administrator

Corrective Action: The District will establish controls and procedures to ensure that federal program budgets are timely submitted.

Proposed Completion Date: The District has completed implementation of this corrective action plan.

**ITAWAMBA COUNTY SCHOOL DISTRICT
CORRECTIVE ACTION PLAN (CONTINUED)
FOR YEAR ENDED JUNE 30, 2015**

Section III – Federal Award Findings and Questioned Costs (Continued)

Finding: 2015-4

Name of contact person: Jennifer S. Gray, Business Administrator

Corrective Action: The District will establish controls and procedures to ensure that all necessary federal reports are timely submitted to the State Department of Education.

Proposed Completion Date: The District has completed implementation of this corrective action plan.

Finding: 2015-5

Name of contact person: Jennifer S. Gray, Business Administrator

Corrective Action: The District will establish controls and procedures to ensure that federal funds are drawn as needed in order to meet immediate obligations.

Proposed Completion Date: The District has completed implementation of this corrective action plan.

Finding: 2015-6

Name of contact person: Jennifer S. Gray, Business Administrator

Corrective Action: The District will establish controls and procedures to ensure that federal revenues are reported in the period in which they are earned.

Proposed Completion Date: The District has completed implementation of this corrective action plan.