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PRENTISS COUNTY SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2015



BENTON COUNTY SCHOOL DISTRICT

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# INDEPENDENT AUDITOR'S REPORT

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**SUZANNE E. SMITH, CPA, PLLC**  
**AUDITING AND ACCOUNTING SERVICES**  
**sesmithcpa@msn.com**

INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
Prentiss County School District

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Prentiss 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 Prentiss County School District's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

***Opinions***

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

**POST OFFICE BOX 102**  
**BRANDON, MISSISSIPPI 39043**  
**PHONE: 601-938-5717**

### *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 7-14, 51-57, 59 and 61, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

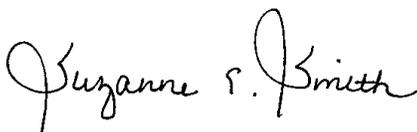
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Prentiss County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2016, on our consideration of the Prentiss 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 Prentiss County School District's internal control over financial reporting and compliance.



Suzanne E. Smith, CPA, PLLC  
Brandon, Mississippi  
September 9, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following discussion and analysis of Prentiss 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 \$22,824,960, including a prior period adjustment of (\$23,406,424), which represents a 198.30% decrease from fiscal year 2014. Total net position for 2014 increased \$318,050, including a prior period adjustment of \$40,086, which represents a 2.84% increase from fiscal year 2013.
- General revenues amounted to \$16,225,444 and \$15,650,253, or 75% and 75.37% 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 \$5,404,989, or 25% of total revenues for 2015, and \$5,115,355, or 24.63% of total revenues for 2014.
- The District had \$21,048,969 and \$20,487,644 in expenses for fiscal years 2015 and 2014; only \$5,404,989 for 2015 and \$5,115,355 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$16,225,444 for 2015 and \$15,650,253 for 2014 were adequate to provide for these programs.
- Among major funds, the General Fund had \$15,865,644 in revenues and \$15,699,770 in expenditures for 2015, and \$15,228,182 in revenues and \$15,450,267 in expenditures in 2014. The General Fund's fund balance increased by \$223,640, including a prior period adjustment of \$1,970, from 2014 to 2015, and decreased by \$191,669 from 2013 to 2014, including a prior period adjustment of (\$3,548).
- Capital assets, net of accumulated depreciation, decreased by \$259,787 for 2015 and decreased by \$288,342, including a prior period adjustment of \$43,220, for 2014. The decrease for 2015 was primarily due to the depreciation expense recognized.
- Long-term debt, including the liability for compensated absences, decreased by \$599,384, including a prior period adjustment of (\$2,512), for 2015 and decreased by \$615,422, including a prior period adjustment of \$146, for 2014. This decrease for 2015 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$3,679 for 2015 and decreased by \$53 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.

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

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

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

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

### **Fund Financial Statements**

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

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

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

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.

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

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

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

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

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

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

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

**Notes to the financial statements**

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

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board. This report presents a schedule of the district's proportionate share of the net pension liability and a schedule of district contribution 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

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

deferred inflows of resources exceeded assets and deferred outflows of resources by \$11,315,206 as of June 30, 2015.

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

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

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

**Table 1**  
**Condensed Statement of Net Position**

	<b>June 30, 2015</b>	<b>June 30, 2014</b>	<b>Percentage Change</b>
Current assets	\$ 5,625,497	\$ 5,522,196	1.87 %
Restricted assets	74,004	68,776	7.60 %
Capital assets, net	8,918,311	9,178,098	-2.83 %
<b>Total assets</b>	<b>14,617,812</b>	<b>14,769,070</b>	<b>-1.02 %</b>
<b>Deferred outflows of resources</b>	<b>2,987,216</b>	<b>56,243</b>	<b>5,211.27 %</b>
Current liabilities	127,520	190,087	-32.91 %
Long-term debt outstanding	2,526,088	3,125,472	-19.18 %
Net pension liability	22,941,139	-	N/A %
<b>Total liabilities</b>	<b>25,594,747</b>	<b>3,315,559</b>	<b>671.96 %</b>
<b>Deferred inflows of resources</b>	<b>3,325,487</b>	<b>-</b>	<b>N/A %</b>
<b>Net position:</b>			
Net investment in capital assets	6,618,854	6,380,276	3.74 %
Restricted	1,298,495	1,367,176	-5.02 %
Unrestricted	(19,232,555)	3,762,302	-611.19 %
<b>Total net position</b>	<b>\$ (11,315,206)</b>	<b>\$ 11,509,754</b>	<b>-198.31 %</b>

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (19,232,555)
Less unrestricted deficit in net position resulting from recognition of the net pension liability	23,327,618
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 4,095,063</u>

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

- Decrease in net capital assets in the amount of \$259,787.

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

- The principal retirement of \$605,778 of long-term debt.
- The recognition of a net pension liability of \$22,941,139 in accordance with new standards (GASB Statement No. 68).

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$21,630,433 and \$20,765,608, respectively. The total cost of all programs and services was \$21,048,969 for 2015 and \$20,487,644 for 2014. Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2015 and June 30, 2014.

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

**Table 2  
Changes in Net Position**

	Year Ended June 30, 2015	Year Ended June 30, 2014	Percentage Change
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 1,222,324	\$ 1,191,073	2.62 %
Operating grants and contributions	4,182,665	3,924,282	6.58 %
General revenues:			
Property taxes	3,260,341	3,236,135	0.75 %
Grants and contributions not restricted	12,892,361	12,349,308	4.40 %
Investment earnings	1,722	1,447	19.00 %
Other	71,020	63,363	12.08 %
<b>Total revenues</b>	<b>21,630,433</b>	<b>20,765,608</b>	<b>4.16 %</b>
<b>Expenses:</b>			
Instruction	11,770,661	12,930,190	(8.97) %
Support services	5,785,204	5,716,637	1.20 %
Non-instructional	1,601,585	1,727,030	(7.26) %
Pension expense	1,803,484	-	N/A
Interest on long-term liabilities	88,035	113,787	(22.63) %
<b>Total expenses</b>	<b>21,048,969</b>	<b>20,487,644</b>	<b>2.74 %</b>
<b>Increase (Decrease) in net position</b>	<b>581,464</b>	<b>277,964</b>	<b>109.19 %</b>
<b>Net Position, July 1, as previously reported</b>	<b>11,509,754</b>	<b>11,191,704</b>	2.84 %
<b>Prior Period Adjustment</b>	<b>(23,406,424)</b>	<b>40,086</b>	58,490.52 %
<b>Net Position, July 1, as restated</b>	<b>(11,896,670)</b>	<b>11,231,790</b>	<b>(205.92) %</b>
<b>Net Position, June 30</b>	<b>\$ (11,315,206)</b>	<b>\$ 11,509,754</b>	<b>(198.31) %</b>

**Governmental activities**

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

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

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

**Table 3**  
**Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<b>Percentage Change</b>
	<u>2015</u>	<u>2014</u>	
Instruction	\$ 11,770,661	\$ 12,930,190	(8.97) %
Support services	5,785,204	5,716,637	1.20 %
Non-instructional	1,601,585	1,727,030	(7.26) %
Pension Expense	1,803,484	-	N/A %
Interest on long-term liabilities	88,035	113,787	(22.63) %
<b>Total expenses</b>	<b><u>\$ 21,048,969</u></b>	<b><u>\$ 20,487,644</u></b>	<b>2.74 %</b>
	<u>Net (Expense) Revenue</u>		
	<u>2015</u>	<u>2014</u>	<b>Percentage Change</b>
Instruction	\$ (9,003,999)	\$ (10,186,820)	(11.61) %
Support services	(4,609,590)	(4,925,210)	(6.41) %
Non-instructional	(212,226)	(219,826)	(3.46) %
Pension Expense	(1,803,484)	-	N/A %
Interest on long-term liabilities	(14,681)	(40,433)	(63.69) %
<b>Total net (expense) revenue</b>	<b><u>\$ (15,643,980)</u></b>	<b><u>\$ (15,372,289)</u></b>	<b>1.77 %</b>

- Net cost of governmental activities [(\$15,643,980) for 2015 and (\$15,372,289) for 2014] was financed by general revenue, which is primarily made up of property taxes (\$3,260,341 for 2015 and \$3,236,135 for 2014) and state and federal revenues (\$12,892,361 for 2015 and \$12,349,308 for 2014).
- Investment earnings amounted to \$1,722 for 2015 and \$1,447 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 \$5,584,321, an increase of \$166,369, which includes a prior period adjustment of \$1,970 and a decrease in inventory of \$4,198. \$3,453,659 or 62% 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 \$2,130,662 or 38% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

PRENTISS COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$223,640, which includes a prior period adjustment of \$1,970. The fund balance of Other Governmental Funds showed a decrease in the amount of \$23,133. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Food Service Fund	\$ (34,138)
Title I Grant	No change
IDEA Part B Grant	No change

### BUDGETARY HIGHLIGHTS

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

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and major special revenue funds 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 \$15,089,052, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$77,616 from 2014. Total accumulated depreciation as of June 30, 2015, was \$6,170,741, and total depreciation expense for the year was \$345,589, resulting in total net capital assets of \$8,918,311.

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>		
Land	\$ 252,754	\$ 252,754	0.00	%
Buildings	7,584,165	7,805,876	(2.84)	%
Building improvements	349,998	327,242	6.95	%
Improvements other than buildings	237,713	250,831	(5.23)	%
Mobile equipment	414,839	460,516	(9.92)	%
Furniture and equipment	57,725	64,609	(10.65)	%
Leased property under capital lease	21,117	16,270	29.79	%
<b>Total</b>	<b>\$ 8,918,311</b>	<b>\$ 9,178,098</b>	<b>(2.83)</b>	<b>%</b>

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

**Debt Administration.** At June 30, 2015, the District had \$2,526,088 in outstanding long-term debt, of which \$528,603 is due within one year. The liability for compensated absences decreased \$3,679 from the prior year. Principal payments of \$605,778 were made during the year.

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

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<b>Percentage Change</b>
Limited obligation refunding bonds payable	\$ 1,040,000	\$ 1,375,000	(24.36) %
Addition: bond premium	5,857	8,787	(33.34) %
Three mill notes payable	1,275,000	1,445,000	(11.76) %
Addition: bond premium	11,779	13,461	(12.50) %
Shortfall notes payable	-	89,305	(100.00) %
Obligations under capital lease	15,029	11,817	27.18 %
Compensated absences payable	178,423	182,102	(2.02) %
<b>Total</b>	<b><u>\$ 2,526,088</u></b>	<b><u>\$ 3,125,472</u></b>	<b>(19.18) %</b>

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

### **CURRENT ISSUES**

The Prentiss 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 controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

### **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 Prentiss County School District, 105 North College Street, Booneville, MS 38829.

## FINANCIAL STATEMENTS

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**PRENTISS COUNTY SCHOOL DISTRICT**

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

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 4,328,422
Due from other governments	1,118,918
Inventories	28,539
Other receivables	149,618
Restricted assets	74,004
Capital assets, net of accumulated depreciation	8,918,311
Total Assets	14,617,812
<b>Deferred Outflows of Resources</b>	
Advance refunding of debt	48,208
Pensions	2,939,008
	2,987,216
<b>Liabilities</b>	
Accounts payable and accrued liabilities	115,180
Interest payable on long-term liabilities	12,340
Long-term liabilities, due within one year:	
Capital related liabilities	528,603
Long-term liabilities, due beyond one year:	
Capital related liabilities	1,819,062
Non-capital related liabilities	178,423
Net Pension Liability	22,941,139
Total Liabilities	25,594,747
<b>Deferred Inflows of Resources</b>	
Pensions	3,325,487
	3,325,487
<b>Net Position</b>	
Net investment in capital assets	6,618,854
Restricted for:	
Expendable:	
School-based activities	775,521
Debt service	492,612
Unemployment benefits	30,362
Unrestricted	(19,232,555)
Total Net Position	\$ (11,315,206)

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

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**PRENTISS COUNTY SCHOOL DISTRICT**

**Statement of Activities**

**Exhibit B**

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 11,770,661	934,602	1,832,060		(9,003,999)
Support services	5,785,204		1,175,614		(4,609,590)
Non-instructional	1,601,585	287,722	1,101,637		(212,226)
Pension expense	1,803,484				(1,803,484)
Interest on long-term liabilities	88,035		73,354		(14,681)
<b>Total Governmental Activities</b>	<b>\$ 21,048,969</b>	<b>1,222,324</b>	<b>4,182,665</b>	<b>0</b>	<b>(15,643,980)</b>
General Revenues:					
Taxes:					
					3,086,379
					173,962
Unrestricted grants and contributions:					
					12,745,896
					146,465
					1,722
					71,020
					<u>16,225,444</u>
					581,464
					11,509,754
					<u>(23,406,424)</u>
					(11,896,670)
					<u>\$ (11,315,206)</u>

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

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**PRETISS COUNTY SCHOOL DISTRICT  
Governmental Funds**

**Balance Sheet  
June 30, 2015**

**Exhibit C**

	Major Funds					Total Governmental Funds
	General Fund	Food Service Fund	Title I Grant	IDEA Part B Governmental Grant	Other Governmental Funds	
<b>Assets</b>						
Cash and cash equivalents	\$ 3,282,623	748,001			297,798	4,328,422
Investments					74,004	74,004
Due from other governments	300,828		74,988	423,552	319,550	1,118,918
Due from other funds	578,274					578,274
Inventories		28,539				28,539
Other receivables	27,283				122,246	149,529
<b>Total assets</b>	<b>4,189,008</b>	<b>776,540</b>	<b>74,988</b>	<b>423,552</b>	<b>813,598</b>	<b>6,277,686</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities:	56,100	1,019	104	490	57,467	115,180
Due to other funds			74,884	423,062	80,239	578,185
<b>Total Liabilities</b>	<b>56,100</b>	<b>1,019</b>	<b>74,988</b>	<b>423,552</b>	<b>137,706</b>	<b>693,365</b>
<b>Fund Balances:</b>						
<b>Nonspendable:</b>						
Inventory		28,539				28,539
<b>Restricted:</b>						
Debt service					504,952	504,952
Grant activities		746,982				746,982
Unemployment benefits					30,362	30,362
<b>Assigned:</b>						
Student activities	227,343					227,343
Special projects	363,555					363,555
Transportation	88,351					88,351
Vocational					110,218	110,218
Unemployment benefits					30,360	30,360
<b>Unassigned</b>	<b>3,453,659</b>					<b>3,453,659</b>
<b>Total Fund Balances</b>	<b>4,132,908</b>	<b>775,521</b>	<b>0</b>	<b>0</b>	<b>675,892</b>	<b>5,584,321</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,189,008</b>	<b>776,540</b>	<b>74,988</b>	<b>423,552</b>	<b>813,598</b>	<b>6,277,686</b>

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

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**PRETISS COUNTY SCHOOL DISTRICT**

**Governmental Funds**

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

**Exhibit C-1**

**Total fund balances for governmental funds** \$ 5,584,321

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	\$ 252,754	
Buildings	11,891,427	
Building improvements	580,564	
Improvements other than buildings	327,956	
Mobile equipment	1,345,340	
Furniture and equipment	659,114	
Leased property under capital lease	31,897	
Accumulated depreciation	<u>(6,170,741)</u>	8,918,311

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

Net pension liability (22,941,139)

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

Deferred outflows of resources related to pensions	2,939,008	
Deferred inflows of resources related to pensions	<u>(3,325,487)</u>	(23,327,618)

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

Limited obligation refunding bonds	(1,040,000)	
Three mill notes payable	(1,275,000)	
Obligations under capital lease	(15,029)	
Compensated absences payable	(178,423)	
Unamortized premiums	(17,636)	
Accrued interest payable	(12,340)	
Unamortized charges	<u>48,208</u>	<u>(2,490,220)</u>

**Net Position of governmental activities** \$ (11,315,206)

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

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**PRENTISS COUNTY SCHOOL DISTRICT**

**Governmental Funds**

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

**Exhibit D**

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

	Major Funds					Total Governmental Funds
	General Fund	Food Service Fund	Title I Grant	IDEA Part B Grant	Other Governmental Funds	
<b>Revenues:</b>						
Local sources	\$ 3,878,169	287,963			372,916	4,539,048
State sources	11,833,995	14,243			1,776,334	13,624,572
Federal sources	153,480	1,184,067	558,755	699,569	854,563	3,450,434
<b>Total Revenues</b>	<b>15,865,644</b>	<b>1,486,273</b>	<b>558,755</b>	<b>699,569</b>	<b>3,003,813</b>	<b>21,614,054</b>
<b>Expenditures:</b>						
Instruction	10,854,230		141,351	392,106	1,763,679	13,151,366
Support services	4,528,097	136,256	303,930	306,843	687,506	5,962,632
Noninstructional services	306,790	1,352,952	8,636			1,668,378
Debt service:						
Principal	10,108	1,365			594,305	605,778
Interest	545				88,794	89,339
Other					2,040	2,040
<b>Total Expenditures</b>	<b>15,699,770</b>	<b>1,490,573</b>	<b>453,917</b>	<b>698,949</b>	<b>3,136,324</b>	<b>21,479,533</b>
Excess (Deficiency) of Revenues over (under) Expenditures	165,874	(4,300)	104,838	620	(132,511)	134,521
<b>Other Financing Sources (Uses):</b>						
Insurance loss recoveries	16,379					16,379
Sale of transportation equipment	500					500
Inception of capital leases	7,837	9,360				17,197
Operating transfers in	35,620				109,378	144,998
Operating transfers out	(4,540)	(35,000)	(104,838)	(620)		(144,998)
<b>Total Other Financing Sources (Uses)</b>	<b>55,796</b>	<b>(25,640)</b>	<b>(104,838)</b>	<b>(620)</b>	<b>109,378</b>	<b>34,076</b>
<b>Net Change in Fund Balances</b>	<b>221,670</b>	<b>(29,940)</b>	<b>0</b>	<b>0</b>	<b>(23,133)</b>	<b>168,597</b>
<b>Fund Balances:</b>						
July 1, 2014, as previously reported	3,909,268	809,659	0	0	699,025	5,417,952
Prior period adjustments	1,970					1,970
July 1, 2014, as restated	3,911,238	809,659	0	0	699,025	5,419,922
Increase (Decrease) in reserve for inventory		(4,198)				(4,198)
<b>June 30, 2015</b>	<b>\$ 4,132,908</b>	<b>775,521</b>	<b>0</b>	<b>0</b>	<b>675,892</b>	<b>5,584,321</b>

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

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**PRETISS COUNTY SCHOOL DISTRICT**

**Governmental Funds**

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

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ 168,597

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	\$ 85,885	
Loss on disposal of asset	(83)	
Depreciation expense	<u>(345,589)</u>	(259,787)

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

Inception of capital leases	(17,197)	
Payments of debt principal	605,778	
Amortization of deferred charges and premiums	(3,423)	
Accrued interest payable	<u>4,727</u>	589,885

3. Some items relating to pensions and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. These activities include:

Pension expense - current year	(1,803,484)	
Deferred outflows - pensions - contributions made after the measurement date	<u>1,886,772</u>	83,288

3. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in compensated absences	3,679	
Change in inventory reserve	<u>(4,198)</u>	(519)

**Change in Net Position of governmental activities** \$ 581,464

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

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PRETISS COUNTY SCHOOL DISTRICT

**Fiduciary Funds**

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

**Exhibit E**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	<u>\$ 1,029,805</u>
Total Assets	<u><u>1,029,805</u></u>
<b>Liabilities</b>	
Accrued payroll	929,918
Due to other funds	89
Other payables	256
Due to students	<u>99,542</u>
Total Liabilities	<u><u>\$ 1,029,805</u></u>

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

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PRENTISS 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 unit.

For financial reporting purposes, Prentiss 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 deferred outflows and liabilities and deferred inflows, with the difference reported as net position. Net position is reported in three categories:

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

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

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.

PRENTISS COUNTY SCHOOL DISTRICT

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

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.

**Food Service Fund** – This special revenue fund is used to account for the financial resources associated with the federal grants in the Child Nutrition Cluster, which provides nutritious breakfasts and lunches to the district's students.

**Title I Grant** – This is a special revenue fund that accounts for the revenues and related expenditures of the Title I grants to local educational agencies.

**IDEA Part B Grant** – This is a special revenue fund that accounts for the revenues and related expenditures of the federal grant authorized under IDEA Part B and used for the educational needs of special needs students.

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

The school district also reports fiduciary funds which focus on net position.

The District's fiduciary funds include the following:

**Student Club Funds** – These various funds account for the monies raised through student club activities.

**Payroll Clearing Fund** – This fund is used to report the payroll resources held by the district in a purely custodial capacity (assets and liabilities) and does not involve the measurement of results of operations.

**Accounts Payable Clearing Fund** – This fund is used to report the resources of paid claims held by the district in a purely custodial capacity (assets and liabilities) and does not involve the measurement of results of operations.

Additionally, the school district reports the following fund types:

**GOVERNMENTAL FUNDS**

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

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

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

**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

PRENTISS COUNTY SCHOOL DISTRICT

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

or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

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

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

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

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 maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

**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

PRENTISS COUNTY SCHOOL DISTRICT

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

district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

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

PRENTISS COUNTY SCHOOL DISTRICT

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

maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

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

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

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.

Deferred outflows – Advance Refunding of Debt  
Deferred outflows – Pension Contributions

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.

Deferred inflows – Pension Settlements to Plan Members

See Note 8 for further details on deferred outflows/inflows relating to pension contributions and pension settlements. See Note 14 for further details on deferred outflows relating to advance refunding of debt.

8. Compensated Absences

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

The liability for these compensated absences is recorded as a long-term liability in the government-wide

PRENTISS COUNTY SCHOOL DISTRICT

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

statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

11. Fund Balances

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

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

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

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

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is a resolution approved by the School Board. There are no committed fund balance amounts at June 30, 2015.

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

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

PRENTISS COUNTY SCHOOL DISTRICT

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

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

**Note 2 – Cash and Cash Equivalents and Investments**

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

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

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

**Cash and Cash Equivalents**

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$4,328,422 and \$1,029,805, 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. As of June 30, 2015, none of the district's bank balance of \$6,494,044 was exposed to custodial credit risk.

**Investments**

As of June 30, 2015, the district had the following investments in a sinking fund reserved to pay debt service payments on its Limited obligation refunding bonds payable:

PRENTISS COUNTY SCHOOL DISTRICT

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Investment Type	Rating	Maturities (in years)	Fair Value
Hancock Horizon Treasury Securities Money Market Mutual Funds	AAA	Less than 1 year	\$ 74,004
	Total		\$ 74,004

*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 investments in the Hancock Horizon Treasury Securities Money Market Funds are uninsured 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. As of June 30, 2015, the district had no investments requiring such disclosure.

**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**

Receivable Fund	Payable Fund	Amount
General Fund	Title I Grant	\$ 74,884
	IDEA Part B Grant	423,062
	Other governmental funds	80,239
	Fiduciary funds	89
Total		\$ 578,274

The amounts primarily represent inter-fund balances created by loans from the General Fund to special revenue funds to provide adequate cash flow for those funds operating on an expenditure reimbursement basis. Cash is loaned to the funds for operational purposes, and the loans are repaid after reimbursement for grant expenditures is received.

PRENTISS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
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**B. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 4,540
Food Service Fund	General Fund	35,000
Title I Grant	Other governmental funds	104,838
IDEA Part B Grant	General Fund	620
Total		<u>\$ 144,998</u>

Transfers primarily represent indirect costs from special revenue funds to the General Fund and operational transfers from the General Fund to other governmental funds.

**Note 4 – Restricted Assets**

The restricted assets represent the investment balance, totaling \$74,004 of the MAEP Debt Retirement Fund (debt service fund) which is legally restricted and may not be used for purposes that support the district's programs. These assets are shown as investments on the governmental funds balance sheet.

**Note 5 – Capital Assets**

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

	Balance 7/1/2014	Increases	Decreases	Adjustments	Balance 6/30/2015
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 252,754				252,754
Total non-depreciable capital assets	252,754	-	-	-	252,754
<u>Depreciable capital assets:</u>					
Buildings	11,891,427				11,891,427
Building Improvements	534,586	45,978			580,564
Improvements other than buildings	327,956				327,956
Mobile equipment	1,320,988	17,150		7,202	1,345,340
Furniture and equipment	661,823	5,560	8,269		659,114
Leased property under capital leases	21,902	17,197		(7,202)	31,897
Total depreciable capital assets	14,758,682	85,885	8,269	-	14,836,298
<u>Less accumulated depreciation for:</u>					
Buildings	4,085,551	221,711			4,307,262
Building Improvements	207,344	23,222			230,566
Improvements other than buildings	77,125	13,118			90,243
Mobile equipment	860,472	70,029			930,501
Furniture and equipment	597,214	12,361	8,186		601,389
Leased property under capital leases	5,632	5,148			10,780
Total accumulated depreciation	5,833,338	345,589	8,186	-	6,170,741
Total depreciable capital assets, net	8,925,344	(259,704)	83	-	8,665,557
Total capital assets, net	\$ 9,178,098	(259,704)	83	-	8,918,311

PRENTISS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
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The adjustments were necessary to show minor corrections to asset categories.

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
<b>Governmental activities:</b>	
Instructional	\$ 2,157
Support services	331,863
Non-instructional	<u>11,569</u>
Total depreciation expense - Governmental activities	<u><u>\$ 345,589</u></u>

**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2014	Additions	Reductions	Adjustments	Balance 6/30/2015	Amounts due within one year
A. Limited obligation refunding bonds payable	\$ 1,375,000		335,000		1,040,000	345,000
Add: premium	8,787		2,930		5,857	2,930
B. Three mill notes payable	1,445,000		170,000		1,275,000	170,000
Add: premium	13,461		1,682		11,779	1,682
C. Shortfall notes payable	89,305		89,305		-	
D. Obligations under capital leases	11,817	17,197	11,473	(2,512)	15,029	8,991
E. Compensated absences payable	182,102		3,679		178,423	
Subtotal	<u>\$ 3,125,472</u>	<u>17,197</u>	<u>614,069</u>	<u>(2,512)</u>	<u>2,526,088</u>	<u>\$ 528,603</u>

**A. Limited obligation refunding bonds payable**

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
State aid improvement refunding, Series 2007	4.00%	11-Sep-07	1-Apr-18	<u>\$ 3,200,000</u>	<u>\$ 1,040,000</u>

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

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<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016 \$	345,000	41,600	386,600
2017	365,000	27,800	392,800
2018	330,000	13,200	343,200
Total \$	<u>1,040,000</u>	<u>82,600</u>	<u>1,122,600</u>

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

The state aid capital improvement refunding 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.

**B. Three mill notes payable**

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Limited tax refunding, Series 2012	1.0-2.5%	20-Jun-12	30-Jun-22	\$ <u>1,640,000</u>	\$ <u>1,275,000</u>

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

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016 \$	170,000	26,950	196,950
2017	175,000	23,550	198,550
2018	180,000	20,050	200,050
2019	180,000	16,450	196,450
2020	185,000	12,850	197,850
2021-2022	385,000	14,025	399,025
Total \$	<u>1,275,000</u>	<u>113,875</u>	<u>1,388,875</u>

This debt will be retired from the Note Retirement Fund – Fund 4021 (debt service fund).

The three mill notes payable are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi in the form of sales tax revenues for buildings and buses from the Education Enhancement Fund (“EEF”), created under Section 37-61-33, Miss. Code Ann. (1972). The amount of the annual pledge is \$73,354, which is 100% of such expected revenues. The amount of principal and interest payments for the year was \$200,350, with the difference between the total payments due and the pledge of EEF monies being derived from a property tax levy. The pledge will continue through June 30, 2022.

**C. Shortfall notes payable**

This debt was paid in full during the year ended June 30, 2015.

PRENTISS COUNTY SCHOOL DISTRICT

Notes to the Financial Statements  
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**D. Obligations under capital lease**

The school district has entered into three capital leases described as follows:

Mower – Jumpertown – Acquisition cost of \$15,218 with a down payment of \$4,000.  
Mower - Thrasher – Acquisition cost of \$7,202 with a down payment of \$3,000.  
Dishwasher – Jumpertown – Acquisition cost of \$9,360.

All the leases qualify as capital leases for accounting purposes.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. John Deere Mower (Jumpertown)	2.00%	5-Apr-13	5-May-16	\$ 11,218	\$ 4,728
2. John Deere Mower (Thrasher)	12%	10-Aug-14	10-Jul-16	7,837	2,306
3. Dishwasher (Jumpertown)	0%	7-Jan-15	31-Dec-18	9,360	7,995
				\$ <u>28,415</u>	<u>15,029</u>

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

1. John Deere Mower lease dated April 5, 2013

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016 \$	4,728	33	4,761
Total \$	<u>4,728</u>	<u>33</u>	<u>4,761</u>

The school district uses the straight-line method of amortization for the lease payments, which is not in accordance with accounting principles generally accepted in the United States of America. However, the difference between the effective interest method and the straight-line method is not considered material.

This debt will be retired from the General Fund.

2. John Deere Mower lease dated August 10, 2014

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>			
2016 \$	2,118	163	2,281
2017	188	2	190
Total \$	<u>2,306</u>	<u>165</u>	<u>2,471</u>

The school district uses the straight-line method of amortization for the lease payments, which is not in accordance with accounting principles generally accepted in the United States of America. However, the difference between the effective interest method and the straight-line method is not considered material.

This debt will be retired from the General Fund.

3. Dishwasher lease dated January 7, 2015

PRENTISS COUNTY SCHOOL DISTRICT

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<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016 \$	2,145	-	2,145
2017	2,340	-	2,340
2018	2,340	-	2,340
2019	1,170	-	1,170
Total \$	<u>7,995</u>	<u>-</u>	<u>7,995</u>

The school district uses the straight-line method of amortization for the lease payments, which is not in accordance with accounting principles generally accepted in the United States of America. However, the difference between the effective interest method and the straight-line method is not considered material.

This debt will be retired from the Food Service Fund.

The following is a schedule of total obligations under capital leases for all issues:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016 \$	8,991	196	9,187
2017	2,528	2	2,530
2018	2,340	-	2,340
2019	1,170	-	1,170
Total \$	<u>15,029</u>	<u>198</u>	<u>15,227</u>

**E. Compensated absences payable**

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

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

In prior years, the Prentiss County School District defeased certain limited obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the district's financial statements. On June 30, 2015, \$1,075,000 of bonds outstanding were defeased.

**Note 8 – Defined Benefit Pension Plan**

**General Information about the Pension Plan**

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

PRENTISS COUNTY SCHOOL DISTRICT

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

*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2015, 2014 and 2013 were \$1,886,772, \$1,815,490, and \$1,586,783, 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 \$22,941,139 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 0.189 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$1,803,484. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual Experience	\$ 357,875	\$
Net difference between projected and actual earnings on pension plan investments		3,325,487
Changes in proportion and differences between District contributions and proportionate share of Contributions	694,361	
District contributions subsequent to the measurement date	1,886,772	
Total	\$ <u>2,939,008</u>	\$ <u>3,325,487</u>

PRENTISS COUNTY SCHOOL DISTRICT

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

\$1,886,772 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ ( 452,870)
2017	( 452,870)
2018	( 536,140)
2019	( 831,371)

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

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

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013. The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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Notes to the Financial Statements  
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	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
District's proportionate share of the net pension liability	\$ 31,275,614	\$ 22,941,139	\$ 15,988,948

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

**Note 9 – Prior Period Adjustments**

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Implementation of GASB 68 and 71:	
Net pension liability (measurement date)	\$ (25,226,396)
Deferred outflows - contributions made during fiscal year 2014	1,815,490
Total prior period adjustment related to GASB 68 and 71	(23,410,906)
2. Restatement of beginning balances for capital lease obligations	2,512
3. Restatement of a prior period asset or liability	1,970
Total	<u>\$ (23,406,424)</u>

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

Fund	Fund	Amount
General Fund	Restatement of a prior period asset or liability	\$ 1,970
	Total	<u>\$ 1,970</u>

**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.

**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. Except for described below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

PRENTISS COUNTY SCHOOL DISTRICT

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For Year Ended June 30, 2015

**Note 12 – Alternative School Consortium**

The school district entered into an Alternative School Agreement dated August 19, 1994, creating the East Central Alternative School Consortium. This consortium was created pursuant to the provisions of Section 37-13-92(6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes Booneville School District, Baldwin School District, and Prentiss County School District.

Section 37-13-92(6), Miss. Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead district will serve as the governing board of the alternative program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

The Booneville School District has been designated as the lead school district for the East Central Alternative School Consortium, and the operations of the consortium are included in its financial statements.

**Note 13 – Vocational School Consortium**

The school district entered into a Vocational Education Agreement dated August 20, 1980, creating the Prentiss County Career and Technology Center. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the Prentiss County School District and the Booneville School District.

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

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

The following Statement of Revenues, Expenditures and Changes in Fund Balances is presented to detail the financial activity of the Prentiss County Career and Technology Center.

PRENTISS COUNTY SCHOOL DISTRICT

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

Prentiss County Career and Technology Center  
Statement of Revenues, Expenditures and Changes in Fund Balance  
For the Year Ended June 30, 2015

**Revenues**

Local sources:	
Tuition from other LEAs within the state	\$ <u>131,795</u>
Total local sources	<u>131,795</u>
State sources	1,224,176
Federal sources	<u>52,065</u>
Total Revenues	<u>1,408,036</u>

**Expenditures**

Salaries	1,055,578
Employee benefits	243,253
Purchased property services	46,707
Supplies	7,703
Property	39,397
Other	<u>1,300</u>
Total Expenditures	<u>1,393,938</u>
Net Change in Fund Balance	<u>14,098</u>

**Fund Balance**

July 1, 2014	<u>96,120</u>
June 30, 2015	<u>\$ <u>110,218</u></u>

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

The \$6,618,854 in the net investment in capital assets component of net position includes the effect of the deferred outflow on advance refunding of debt. The remaining \$48,208 balance of the deferred outflow on advance refunding of debt at June 30, 2015, will be expensed and decrease the net investment in capital assets component of net position over the remaining seven (7) years of the remaining debt service payments of the Limited Tax Refunding bonds, Series 2012.

**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 Prentiss County School District evaluated the activity of the district through September 9, 2016, and determined that no events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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**PRENTISS COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 3,799,580	3,878,169	3,878,169	78,589	0
State sources	11,727,663	11,833,995	11,833,995	106,332	0
Federal sources	84,000	129,426	153,480	45,426	24,054
<b>Total Revenues</b>	<b>15,611,243</b>	<b>15,841,590</b>	<b>15,865,644</b>	<b>230,347</b>	<b>24,054</b>
<b>Expenditures:</b>					
Instruction	11,416,639	10,854,229	10,854,230	562,410	(1)
Support services	4,342,938	4,520,260	4,528,097	(177,322)	(7,837)
Noninstructional services	344,200	306,790	306,790	37,410	0
Debt service:					
Principal	0	10,254	10,108	(10,254)	146
Interest	0	400	545	(400)	(145)
<b>Total Expenditures</b>	<b>16,103,777</b>	<b>15,691,933</b>	<b>15,699,770</b>	<b>411,844</b>	<b>(7,837)</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(492,534)	149,657	165,874	642,191	16,217
<b>Other Financing Sources (Uses):</b>					
Insurance loss recoveries	0	16,379	16,379	16,379	0
Sale of transportation equipment	0	500	500	500	0
Inception of capital leases	0	0	7,837	0	7,837
Operating transfers in	42,863	35,620	35,620	(7,243)	0
Operating transfers out	(17,573)	(4,540)	(4,540)	13,033	0
<b>Total Other Financing Sources (Uses)</b>	<b>25,290</b>	<b>47,959</b>	<b>55,796</b>	<b>22,669</b>	<b>7,837</b>
<b>Net Change in Fund Balances</b>	<b>(467,244)</b>	<b>197,616</b>	<b>221,670</b>	<b>664,860</b>	<b>24,054</b>
<b>Fund Balances:</b>					
July 1, 2014, as previously reported	5,267,700	3,909,268	3,909,268	(1,358,432)	0
Prior period adjustments	0	1,970	1,970	1,970	0
July 1, 2015, as restated	5,267,700	3,911,238	3,911,238	(1,356,462)	0
<b>June 30, 2015</b>	<b>\$ 4,800,456</b>	<b>4,108,854</b>	<b>4,132,908</b>	<b>(691,602)</b>	<b>24,054</b>

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

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**PRENTISS COUNTY SCHOOL DISTRICT**

**Required Supplementary Information**

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 382,878	325,639	287,963	(57,239)	(37,676)
State sources	0	0	14,243	0	14,243
Federal sources	1,048,000	1,184,067	1,184,067	136,067	0
<b>Total Revenues</b>	<b>1,430,878</b>	<b>1,509,706</b>	<b>1,486,273</b>	<b>78,828</b>	<b>(23,433)</b>
<b>Expenditures:</b>					
Support services	79,867	136,255	136,256	(56,388)	(1)
Noninstructional services	1,381,678	1,367,025	1,352,952	14,653	14,073
Debt service:					
Principal	0	1,365	1,365	(1,365)	0
<b>Total Expenditures</b>	<b>1,461,545</b>	<b>1,504,645</b>	<b>1,490,573</b>	<b>(43,100)</b>	<b>14,072</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(30,667)	5,061	(4,300)	35,728	(9,361)
<b>Other Financing Sources (Uses):</b>					
Inception of capital leases	0	0	9,360	0	9,360
Operating transfers out	(35,000)	(35,000)	(35,000)	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>(35,000)</b>	<b>(35,000)</b>	<b>(25,640)</b>	<b>0</b>	<b>9,360</b>
<b>Net Change in Fund Balances</b>	<b>(65,667)</b>	<b>(29,939)</b>	<b>(29,940)</b>	<b>35,728</b>	<b>(1)</b>
<b>Fund Balances:</b>					
July 1, 2014	681,908	809,658	809,659	127,750	1
Increase in reserve for inventory	0	(4,198)	(4,198)	(4,198)	0
<b>June 30, 2015</b>	<b>\$ 616,241</b>	<b>775,521</b>	<b>775,521</b>	<b>159,280</b>	<b>0</b>

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

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**PRENTISS COUNTY SCHOOL DISTRICT**

**Required Supplementary Information**

**Budgetary Comparison Schedule**

**Title I Grant**

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 617,212	617,212	558,755	0	(58,457)
Total Revenues	617,212	617,212	558,755	0	(58,457)
<b>Expenditures:</b>					
Instruction	525,678	204,902	141,351	320,776	63,551
Support services	7,464	388,085	303,930	(380,621)	84,155
Noninstructional services	4,910	14,330	8,636	(9,420)	5,694
Total Expenditures	538,052	607,317	453,917	(69,265)	153,400
Excess (Deficiency) of Revenues over (under) Expenditures	79,160	9,895	104,838	(69,265)	94,943
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(79,160)	(9,895)	(104,838)	69,265	(94,943)
Total Other Financing Sources (Uses)	(79,160)	(9,895)	(104,838)	69,265	(94,943)
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2014	0	0	0	0	0
June 30, 2015	\$ 0	0	0	0	0

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

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**PRENTISS COUNTY SCHOOL DISTRICT**

**Required Supplementary Information**

**Budgetary Comparison Schedule**

**IDEA Part B Grant**

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 700,995	700,995	699,569	0	(1,426)
Total Revenues	700,995	700,995	699,569	0	(1,426)
<b>Expenditures:</b>					
Instruction	474,672	431,371	392,106	43,301	39,265
Support services	225,703	268,854	306,843	(43,151)	(37,989)
Noninstructional services	0	150	0	(150)	150
Total Expenditures	700,375	700,375	698,949	0	1,426
Excess (Deficiency) of Revenues over (under) Expenditures	620	620	620	0	0
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(620)	(620)	(620)	0	0
Total Other Financing Sources (Uses)	(620)	(620)	(620)	0	0
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2014	0	0	0	0	0
June 30, 2015	\$ 0	0	0	0	0

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

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**PRETISS COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**

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

**PERS**

**Last 10 Fiscal Years\***

	<u>2015</u>
District's proportion of the net pension liability (asset)	0.189%
District's proportionate share of the net pension liability (asset)	\$ 22,941,139
District's covered-employee payroll	11,526,921
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	199.02%
Plan fiduciary net position as a percentage of the total pension liability	67%

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.

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**BENTON COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**

**SCHEDULE OF DISTRICT CONTRIBUTIONS**

**PERS**

**Last 10 Fiscal Years**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	1,886,772									
Contributions in relation to the contractually required contribution	\$ 1,886,772									
Contribution deficiency (excess)	<u>\$ 0</u>	<u>0</u>								
District's covered-employee payroll	11,979,505									
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.

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PRENTISS COUNTY SCHOOL DISTRICT

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

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

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SUPPLEMENTARY INFORMATION

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**PRENTISS COUNTY SCHOOL DISTRICT**

**Supplementary Information**

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

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 297,961
National school lunch program	10.555	825,190
National school lunch program - donated commodities	10.555	60,916
Total child nutrition cluster		<u>1,184,067</u>
Total passed-through Mississippi Department of Education		<u>1,184,067</u>
<b>Total U.S. Department of Agriculture</b>		<b><u>1,184,067</u></b>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	90,561
<b>Total Federal Communications Commission</b>		<b><u>90,561</u></b>
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	558,755
Career and technical education - basic grants to states	84.048	52,065
Education for homeless children and youth	84.196	10,279
21st century community learning centers	84.287	508,463
Rural education	84.358	66,731
Improving teacher quality-State Grants	84.367	195,434
Subtotal		<u>1,391,727</u>
Special education cluster:		
Special education - grants to states	84.027	706,585
Special education - preschool grants	84.173	21,590
Total special education cluster		<u>728,175</u>
Total passed-through Mississippi Department of Education		<u>2,119,902</u>
<b>Total U.S. Department of Education</b>		<b><u>2,119,902</u></b>
<b>Total for All Federal Awards</b>		<b><u>\$ 3,394,530</u></b>

**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.

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**PRENTISS COUNTY SCHOOL DISTRICT**

**Supplementary Information**

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds**

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

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 16,472,547	13,278,539	634,954	867,022	1,692,032
Other	5,006,986	1,585,627	165,948	14,355	3,241,056
Total	<u>\$ 21,479,533</u>	<u>14,864,166</u>	<u>800,902</u>	<u>881,377</u>	<u>4,933,088</u>
Total number of students *	<u>2,365</u>				
Cost per student	<u>\$ 9,083</u>	<u>6,285</u>	<u>339</u>	<u>373</u>	<u>2,086</u>

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

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

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

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

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

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

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## OTHER INFORMATION

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**PRENTISS COUNTY SCHOOL DISTRICT**

**Other Information**

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

**General Fund**

**Last Four Years**

**UNAUDITED**

	2015	* 2014	* 2013	* 2012
<b>Revenues:</b>				
Local sources	\$ 3,878,169	3,844,382	3,853,431	3,613,170
State sources	11,833,995	11,252,122	11,091,655	11,326,969
Federal sources	153,480	131,678	191,442	154,731
<b>Total Revenues</b>	<b>15,865,644</b>	<b>15,228,182</b>	<b>15,136,528</b>	<b>15,094,870</b>
<b>Expenditures:</b>				
Instruction	10,854,230	10,618,690	10,092,567	9,920,571
Support services	4,528,097	4,443,313	4,110,147	4,267,832
Noninstructional services	306,790	349,624	315,091	231,248
Debt Service:				
Principal	10,108	38,211	69,766	66,086
Interest	545	429	3,035	5,791
<b>Total Expenditures</b>	<b>15,699,770</b>	<b>15,450,267</b>	<b>14,590,606</b>	<b>14,491,528</b>
Excess (Deficiency) of Revenues over (under) Expenditures	165,874	(222,085)	545,922	603,342
<b>Other Financing Sources (Uses):</b>				
Proceeds of loans			15,420	260,360
Insurance loss recoveries	16,379	16,150		11,479
Sale of transportation equipment	500	10,881		
Inception of capital leases	7,837			
Operating transfers in	35,620	35,500	46,078	42,017
Operating transfers out	(4,540)	(28,567)	(12,372)	(36,351)
<b>Total Other Financing Sources (Uses)</b>	<b>55,796</b>	<b>33,964</b>	<b>49,126</b>	<b>277,505</b>
<b>Net Change in Fund Balances</b>	<b>221,670</b>	<b>(188,121)</b>	<b>595,048</b>	<b>880,847</b>
<b>Fund Balances:</b>				
Beginning of period, as originally presented	3,909,268	4,100,937	3,505,889	2,625,042
Prior period adjustments	1,970	(3,548)		
Beginning of period, as restated	3,911,238	4,097,389	3,505,889	2,625,042
End of Period	\$ 4,132,908	3,909,268	4,100,937	3,505,889

\*SOURCE - PRIOR YEAR AUDIT REPORTS

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**PRENTISS COUNTY SCHOOL DISTRICT**

**Other Information**

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

**All Governmental Funds**

**Last Four Years**

**UNAUDITED**

	2015	* 2014	* 2013	* 2012
<b>Revenues:</b>				
Local sources	\$ 4,539,048	4,474,201	4,581,685	4,305,664
State sources	13,624,572	13,052,542	12,774,567	12,927,334
Federal sources	3,450,434	3,222,715	3,012,696	3,185,915
<b>Total Revenues</b>	<b>21,614,054</b>	<b>20,749,458</b>	<b>20,368,948</b>	<b>20,418,913</b>
<b>Expenditures:</b>				
Instruction	13,151,366	12,926,946	12,095,433	12,125,167
Support services	5,962,632	5,408,655	4,933,708	5,268,638
Noninstructional services	1,668,378	1,720,179	1,659,829	1,597,850
Facilities acquisition and construction services			140,650	
Debt service:				
Principal	605,778	610,923	626,339	518,366
Interest	89,339	105,389	127,633	185,694
Other	2,040	3,190	2,440	1,000
<b>Total Expenditures</b>	<b>21,479,533</b>	<b>20,775,282</b>	<b>19,586,032</b>	<b>19,696,715</b>
Excess (Deficiency) of Revenues over (under) Expenditures	134,521	(25,824)	782,916	722,198
<b>Other Financing Sources (Uses):</b>				
Proceeds of refunding bonds				1,640,000
Premium on bond refunding				16,819
Proceeds of loans			15,420	260,360
Insurance loss recoveries	16,379	16,150		11,479
Sale of transportation equipment	500	10,881		
Inception of capital leases	17,197			
Operating transfers in	144,998	64,067	58,450	78,368
Payment to refunded bond escrow agent				(1,596,420)
Operating transfers out	(144,998)	(64,067)	(58,450)	(78,368)
Other financing uses				(60,399)
<b>Total Other Financing Sources (Uses)</b>	<b>34,076</b>	<b>27,031</b>	<b>15,420</b>	<b>271,839</b>
<b>Net Change in Fund Balances</b>	<b>168,597</b>	<b>1,207</b>	<b>798,336</b>	<b>994,037</b>
<b>Fund Balances:</b>				
Beginning of period, as originally presented	5,417,952	5,413,992	4,616,843	3,620,070
Prior period adjustments	1,970	(2,988)		
Beginning of period, restated	5,419,922	5,411,004	4,616,843	3,620,070
Increase (Decrease) in reserve for inventory	(4,198)	5,741	(1,187)	2,736
<b>End of Period</b>	<b>\$ 5,584,321</b>	<b>5,417,952</b>	<b>5,413,992</b>	<b>4,616,843</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

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REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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**SUZANNE E. SMITH, CPA, PLLC**  
**AUDITING AND ACCOUNTING SERVICES**  
**sesmithcpa@msn.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  
Prentiss 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 Prentiss County School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Prentiss County School District's basic financial statements, and have issued our report thereon dated September 9, 2016.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency (Finding 2015-001).

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Prentiss County School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

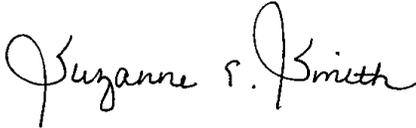
**POST OFFICE BOX 102**  
**BRANDON, MISSISSIPPI 39043**  
**PHONE: 601-938-5717**

## **District's Response to Findings**

The district's response to the finding identified in our audit is described in the accompanying auditee's corrective action plan. Prentiss 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 the response.

## **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 result 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.

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Suzanne E. Smith, CPA, PLLC  
Brandon, Mississippi  
September 9, 2016

**SUZANNE E. SMITH, CPA, PLLC**  
**AUDITING AND ACCOUNTING SERVICES**  
[sesmithcpa@msn.com](mailto:sesmithcpa@msn.com)

**Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance Required by OMB Circular A-133**

Superintendent and School Board  
Prentiss County School District

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

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

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

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

**Report on Internal Control Over Compliance**

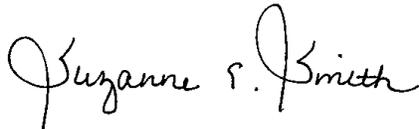
Management of Prentiss County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Prentiss County School District's internal control

over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Prentiss County School District's internal control over compliance.

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

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

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

A handwritten signature in cursive script that reads "Suzanne E. Smith".

Suzanne E. Smith, CPA, PLLC  
Brandon, Mississippi  
September 9, 2016

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

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**SUZANNE E. SMITH, CPA, PLLC**  
**AUDITING AND ACCOUNTING SERVICES**  
**sesmithcpa@msn.com**

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

Superintendent and School Board  
Prentiss County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Prentiss County School District as of and for the year ended June 30, 2015, which collectively comprise Prentiss County School District's basic financial statements and have issued our report thereon dated September 9, 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 no classroom supply funds carried over from previous years.

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

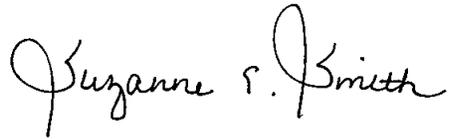
The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

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

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

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies, the Office of the State Auditor and

pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Suzanne E. Smith". The signature is written in a cursive style with a large initial 'S'.

Suzanne E. Smith, CPA, PLLC  
Brandon, Mississippi  
September 9, 2016

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

**Section I: Summary of Auditor's Results**

Financial Statements:

- |    |   |            |
|----|---|------------|
| 1. | Type of auditor's report issued:                      | Unmodified |
| 2. | Internal control over financial reporting:            |            |
|    | a. Material weaknesses identified?                    | No         |
|    | b. Significant deficiencies identified?               | Yes        |
| 3. | Noncompliance material to financial statements noted? | No         |

Federal Awards:

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

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555	Child Nutrition Cluster
84.287	Twenty-first Century Community Learning Centers
84.367	Improving Teacher Quality – state grants

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

**Section II: Financial Statement Findings**

*Deficiencies in Internal Controls Over Reporting not Considered Material Weaknesses*

Repeat Finding. 2015-001. Control deficiencies surrounding student activity fund receipts/deposits/revenues and activity fund expenditures.

Criteria: The school district is charged with the responsibility of designing and implementing an effective system of internal control that will minimize misappropriation of district assets and that will protect the integrity of the district's financial information. The area of student activity fund receipts is an especially vulnerable area because of the amount of cash and coins handled at locations remote to the central administrative offices. Student activity fund expenditures also pose a higher risk area because the receipt of goods and/or services occurs in remote locations, and the actual disbursements for such goods and/or services also occurs in remote locations at each school site. The need for solid controls in both areas is important to protect the misappropriation of district assets and to protect the integrity of the district's financial information.

Condition: Our control testing of student activity fund receipts/deposits/revenues revealed fifteen (15) instances where deposits of revenues were not made on a timely basis. Our test sample included thirty-five (35) receipts. A timely deposit is considered a deposit made the same day as the receipt warrant is written but no later than the business day subsequent to the day the receipt warrant is written. Many receipts in the area of student activity funds are made up of cash and coin deposits. A delay between receipting the money and making a bank deposit provides opportunity for the receipt to be misappropriated or converted to personal use. Such delays in making deposits constitute a control deficiency. Our control testing further revealed twelve (12) instances out of the sample of thirty-five (35) receipts where student activity revenues were coded to other local sources. All receipts generated from student activities should be recorded in accordance with the accounting codes established by the Mississippi Department of Education. An adjusted journal entry was proposed and accepted to correct these coding errors.

Our control testing of forty-two (42) student activity fund expenditures revealed five (5) instances where no receiving documentation existed to document the actual receipt of goods/services prior to payment being made; Seven (7) instances of incorrect coding; Eleven (11) instances where the purchase order was dated after the date of the invoice; three (3) instances where an invoice was not available to substantiate the purchase made; and one (1) instance where a school paid for food for school staff without evidence to support the food was used in a professional development setting.

Effect: Controls surrounding student activity fund transactions are not functioning to bring control risk to a low level in order to prevent asset misappropriation and financial statement errors.

Questioned Costs: None

Cause: The cause is likely a deviation from district procedures designed to safeguard assets and financial information in this area.

Recommendation: We recommend that the district review its procedures in the area of student activity fund transactions, including established controls, and refine and reinforce the procedures through training and transaction review.

**Section III: Federal Award Findings and Questioned Costs**

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

## AUDITEE'S CORRECTIVE ACTION PLAN

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**Prentiss County School District**  
PRENTISS COUNTY

AUDITEE CORRECTIVE ACTION PLAN

Finding 2015-001. Deficiencies in Controls Surrounding student activity fund receipts/ deposits/ revenues and activity fund expenditures.

Corrective Action Plan Details: Prentiss County School District addressed the named deficiencies in controls surrounding student activity funds during the annual in-service training. The district stressed the importance of daily deposits and proper coding of these receipts. Each bookkeeper, at the local level, was given updated coding information that included function codes along with the description and/or example. Also during the annual in-service training, the district discussed proper purchasing procedures including proper signatures, coding and documentation required for payment. The district will review a sample each month to ensure that all policies and procedures are being implemented.

Who is Responsible for implementation: Bookkeepers, Administrators

When Implementation will begin: August 10, 2016

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## FOLLOW UP ON PRIOR YEAR FINDINGS

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**Prentiss County School District**  
PRENTISS COUNTY

SUMMARY OF PRIOR YEAR AUDIT FINDINGS

As required by Section \_\_.316(b) of OMB Circular A-133, the Prentiss County School District has prepared and hereby submits the following status of prior year findings as of June 30, 2015.

FINDING	STATUS
Finding 2014-001	Repeat Finding at 2015-001

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