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**Rankin County School District**

Audited Financial Statements  
For the Year Ended June 30, 2015

**Fortenberry & Ballard, PC**  
Certified Public Accountants

**Rankin County School District  
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## FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Rankin 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 Rankin 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 Rankin County School District's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Rankin 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.

## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, the school district adopted Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. As a result, net position as of July 1, 2014, has been restated. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information and the Schedules of the District’s Proportionate Share of the Net Pension Liability and of the District’s Contributions on pages 8 to 19 and 61 to 65 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 Rankin County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All

Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015, on our consideration of the Rankin 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 Rankin County School District's internal control over financial reporting and compliance.

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
December 18, 2015

Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Rankin County School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015

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

**FINANCIAL HIGHLIGHTS**

- Total net position for 2015 decreased \$178,341,785, including a prior period adjustment of (\$184,447,527), which represents a 122% decrease from fiscal year 2014. Total net position for 2014 increased \$6,398,350, which represents a 5% increase from fiscal year 2013.
- General revenues amounted to \$141,144,818 and \$138,283,890, or 84% and 84% of all revenues for fiscal years 2015 and 2014, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$27,746,645, or 16% of total revenues for 2015, and \$26,884,949, or 16% of total revenues for 2014.
- The District had \$162,785,721 and \$158,770,489 in expenses for fiscal years 2015 and 2014; only \$27,746,645 for 2015 and \$26,884,949 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$141,144,818 for 2015 and \$138,283,890 for 2014 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$137,381,564 in revenues and \$136,924,994 in expenditures for 2015, and \$130,720,770 in revenues and \$132,269,923 in expenditures for 2014. The General Fund's fund balance increased by \$1,687,388, including the fund reclass of Sixteenth Section Interest Funds from Special Revenue Funds to General Fund in the amount of \$1,505,380, from 2014 to 2015, and increased by \$2,477,876, from 2013 to 2014.
- Capital assets, net of accumulated depreciation, decreased by \$439,638 for 2015 and decreased by \$2,538,197 for 2014. The decrease for 2015 was due to retirements of furniture and equipment coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$10,291,541 for 2015 and increased by \$2,298,845, for 2014. This decrease for 2015 was due primarily to the refunding and pay off of a three mill note as well as principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$32,493 for 2015 and increased by \$26,736 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.

**Rankin County School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015

**Government-wide Financial Statements**

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

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

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

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

**Fund Financial Statements**

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

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

**Rankin County School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015

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

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

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

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

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

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

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

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

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.

**Rankin County School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015

**Notes to the financial statements**

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

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board. Additionally, the Schedules of the District's Proportionate Share of the Net Pension Liability and of the District's Contributions are included in this section.

**Supplementary Information**

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

**Other Information**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net position**

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$32,531,957 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.

**Rankin County School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015

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

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Current assets	\$ 39,974,426	47,303,318	(15)%
Restricted assets	14,832,301	14,059,808	5%
Capital assets, net	<u>155,912,497</u>	<u>156,352,135</u>	0%
<b>Total assets</b>	<u>210,719,224</u>	<u>217,715,261</u>	(3)%
 <b>Deferred Outflows of Resources</b>	 <u>16,779,064</u>	 <u>0</u>	
Current liabilities	1,667,768	1,788,692	(7)%
Long-term debt outstanding	59,792,707	70,116,741	(15)%
Net pension liability	<u>172,657,564</u>	<u>0</u>	
<b>Total liabilities</b>	<u>234,118,039</u>	<u>71,905,433</u>	226%
 <b>Deferred Inflows of Resources</b>	 <u>25,912,206</u>	 <u>0</u>	
 <b>Net position:</b>			
Net investment in capital assets	97,132,941	87,281,038	11%
Restricted	26,199,951	34,380,543	(24)%
Unrestricted	<u>(155,864,849)</u>	<u>24,148,247</u>	(745)%
<b>Total net position (deficit)</b>	<u>\$ (32,531,957)</u>	<u>145,809,828</u>	(122)%

**Rankin County School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015

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)	\$ (155,864,849)
Less unrestricted deficit in net position resulting from implementation of GASB Statements No. 68 and 71	<u>181,790,706</u>
Unrestricted net position, exclusive of the net pension liability effect	<u><u>25,925,857</u></u>

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

- The recognition of Net Pension Liability in the amount of \$172,657,564 as a result of GASB Statement No. 68 implementation.
- Issuance of a three mill note refunding in the amount of \$9,405,000.
- Decrease in net capital assets in the amount of \$439,638.
- The principal retirement of \$11,259,230 in long-term debt.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$168,891,463 and \$165,168,839, respectively. The total cost of all programs and services was \$162,785,721 for 2015 and \$158,770,489 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.

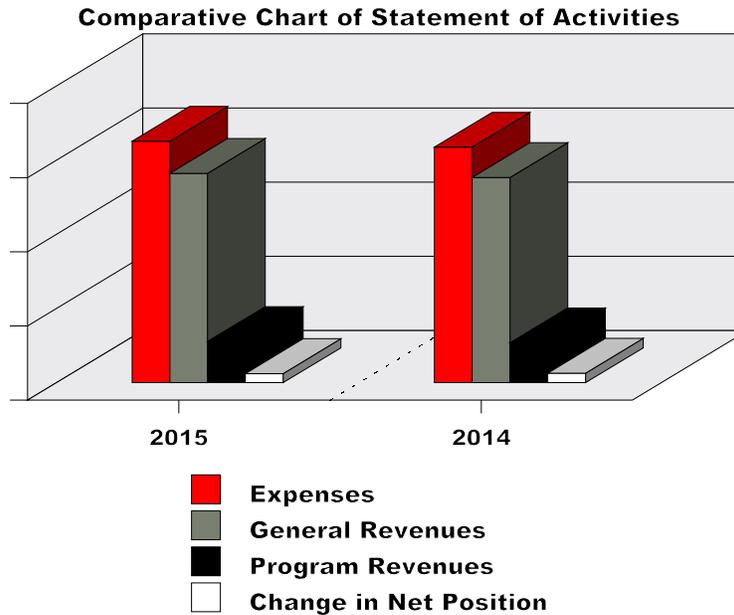
GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

**Rankin County School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2015**

**Table 2**  
**Changes in Net Position**

	<b>Year Ended June 30, 2015</b>	<b>Year Ended June 30, 2014</b>	<b>Percentage Change</b>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 8,715,415	8,592,494	1%
Operating grants and contributions	19,031,230	18,292,455	4%
Total program revenues	<u>27,746,645</u>	<u>26,884,949</u>	3%
General revenues:			
Property taxes	59,050,768	57,360,965	3%
Grants and contributions not restricted	79,839,567	77,698,117	3%
Unrestricted investment earnings	186,671	451,937	(59)%
Sixteenth section sources	1,920,951	2,623,822	(27)%
Other	146,861	149,049	(1)%
Total general revenues	<u>141,144,818</u>	<u>138,283,890</u>	2%
<b>Total revenues</b>	<u>168,891,463</u>	<u>165,168,839</u>	2%
<b>Expenses:</b>			
Instruction	89,112,761	94,463,304	(6)%
Support services	50,022,292	50,953,954	(2)%
Non-instructional	9,450,282	10,157,313	(7)%
Sixteenth section	269,493	321,739	(16)%
Pension expense	11,375,359		
Interest on long-term liabilities	2,555,534	2,874,179	(11)%
<b>Total expenses</b>	<u>162,785,721</u>	<u>158,770,489</u>	3%
Increase (Decrease) in net position	<u>6,105,742</u>	<u>6,398,350</u>	(5)%
<b>Net Position, July 1, as previously reported</b>	145,809,828	139,411,478	5%
<b>Prior Period Adjustment</b>	<u>(184,447,527)</u>		
<b>Net Position (Deficit), July 1, as restated</b>	<u>(38,637,699)</u>	<u>139,411,478</u>	(128)%
<b>Net Position (Deficit), June 30</b>	<u>\$ (32,531,957)</u>	<u>145,809,828</u>	(122)%

**Rankin County School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2015**



**Governmental activities**

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

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

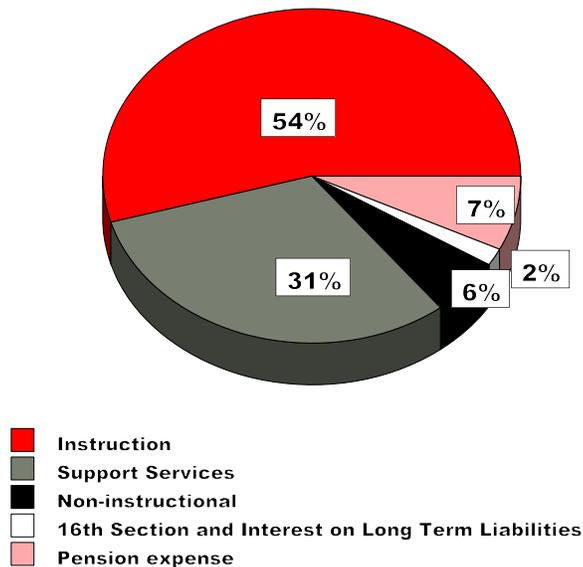
**Table 3**  
**Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<b>Percentage Change</b>
	<b>2015</b>	<b>2014</b>	
Instruction	\$ 89,112,761	94,463,304	(6)%
Support services	50,022,292	50,953,954	(2)%
Non-instructional	9,450,282	10,157,313	(7)%
Sixteenth section	269,493	321,739	(16)%
Pension expense	11,375,359		
Interest on long-term liabilities	2,555,534	2,874,179	(11)%
<b>Total expenses</b>	<u>\$ 162,785,721</u>	<u>158,770,489</u>	<u>3%</u>

**Rankin County School District**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2015**

	<b>Net (Expense) Revenue</b>		
	<b>2015</b>	<b>2014</b>	<b>Percentage Change</b>
Instruction	\$ (76,302,775)	(82,383,504)	(7)%
Support services	(45,412,381)	(46,726,282)	(3)%
Non-instructional	838,998	384,391	118%
Sixteenth section	(232,025)	(285,966)	(19)%
Pension expense	(11,375,359)		
Interest on long-term liabilities	(2,555,534)	(2,874,179)	(11)%
<b>Total net (expense) revenue</b>	<b>\$ (135,039,076)</b>	<b>(131,885,540)</b>	<b>2%</b>

**Chart of Expenses per Statement of Activities**



- Net cost of governmental activities (\$135,039,076 for 2015 and \$131,885,540 for 2014) was financed by general revenue, which is primarily made of property taxes (\$59,050,768 for 2015 and \$57,360,965 for 2014) and state and federal revenues (\$79,839,567 for 2015 and \$77,698,117 for 2014). In addition, there was \$1,920,951 and \$2,623,822 in Sixteenth Section sources for 2015 and 2014, respectively.
- Investment earnings amounted to \$186,671 for 2015 and \$451,937 for 2014.

**Rankin County School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$53,557,597, a decrease of \$6,653,244, which includes an increase in inventory of \$2,167. \$19,963,340, or 37% 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 \$33,594,257, or 63% 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 or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$1,687,388, which includes a fund reclassification for the Sixteenth Section Interest Fund in the amount of \$1,505,380. The fund balance of Other Governmental Funds showed a decrease in the amount of \$4,260,738, which includes a fund reclassification for the Sixteenth Section Interest Fund in the amount of (\$1,505,380) and an increase in inventory of \$2,167. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
EHA (IDEA) Fund	no increase or decrease
2014 Three Mill 10 Year Fund	\$ (4,849,257)
Sixteenth Section Principal Fund	769,363

**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 fund is provided in this report as required supplementary information.

**Rankin County School District**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2015, the District's total capital assets were \$231,380,849, including land, construction in progress, school buildings, building improvements, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$4,514,902 from 2014. Total accumulated depreciation as of June 30, 2015, was \$75,468,352, and total depreciation expense for the year was \$4,970,621, resulting in total net capital assets of \$155,912,497.

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Land	\$ 10,316,388	10,294,025	0%
Construction in progress	2,313,249	1,438,812	61%
Buildings	134,891,433	136,444,567	(1)%
Building improvements	2,933,621	2,658,026	10%
Mobile equipment	4,774,877	4,726,889	1%
Furniture and equipment	<u>682,929</u>	<u>789,816</u>	<u>(14)%</u>
<b>Total</b>	<b>\$ <u>155,912,497</u></b>	<b><u>156,352,135</u></b>	<b><u>0%</u></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 \$59,792,707 in outstanding long-term debt, of which \$8,719,368 is due within one year. The liability for compensated absences decreased \$32,493 from the prior year.

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 29,890,000	37,090,000	(19)%
Three mill notes payable	26,835,000	29,775,000	(10)%
Premium on debt issued	272,795	303,106	(10)%
Obligations under capital leases	1,781,761	1,902,991	(6)%
Compensated absences payable	<u>1,013,151</u>	<u>1,045,644</u>	<u>(3)%</u>
<b>Total</b>	<b>\$ <u>59,792,707</u></b>	<b><u>70,116,741</u></b>	<b><u>(15)%</u></b>

**Rankin County School District**  
Management's Discussion and Analysis  
For the year ended June 30, 2015

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

**CURRENT ISSUES**

Rankin County School District is the third largest school district in the State of Mississippi, serving grades kindergarten through twelve with a current enrollment of approximately 19,500. The district consists of twenty eight schools in the its eight attendance zones. The attendance zones are Brandon, Florence, McLaurin, Northwest, Pelahatchie, Pisgah, Puckett, and Richland. Over the last five years, the district's enrollment has increased approximately 700 students.

The District has committed itself to financial excellence for many years. This is evident by the fact that the "Certificate Recognizing Achievement in Financial Reporting", issued by the Office of the State Auditor, has been awarded to the school district for the last several years. Because of the district's strong financial position, the district was upgraded during fiscal year 2012 from an AA- to an AA bond credit rating with Standard and Poor's Rating Service. The District's system of financial planning, budgeting and internal financial controls are well regarded.

The assessed valuation of the Rankin County School District at October 1, 2015 was \$1,334,061,333.

The District's operational tax millage rate for fiscal year 2016 is 44.18 mills and the debt service millage rate is 7.37 mills. The total millage rate of 51.55 mills is one of the lowest when compared to other districts of the metro Jackson area and other districts of comparable enrollment. The table on page 19 compares tax rates of these districts with the Rankin County School District.

The Rankin County School District is financially stable. The Mississippi State Department of Education requires a school district to maintain the fund balance of the District Maintenance Fund (main operating fund) at a level of at least 5% of its total revenues. At June 30, 2015, the District Maintenance unassigned fund balance was \$18,588,068 or 14.3% of revenues within the District Maintenance Fund.

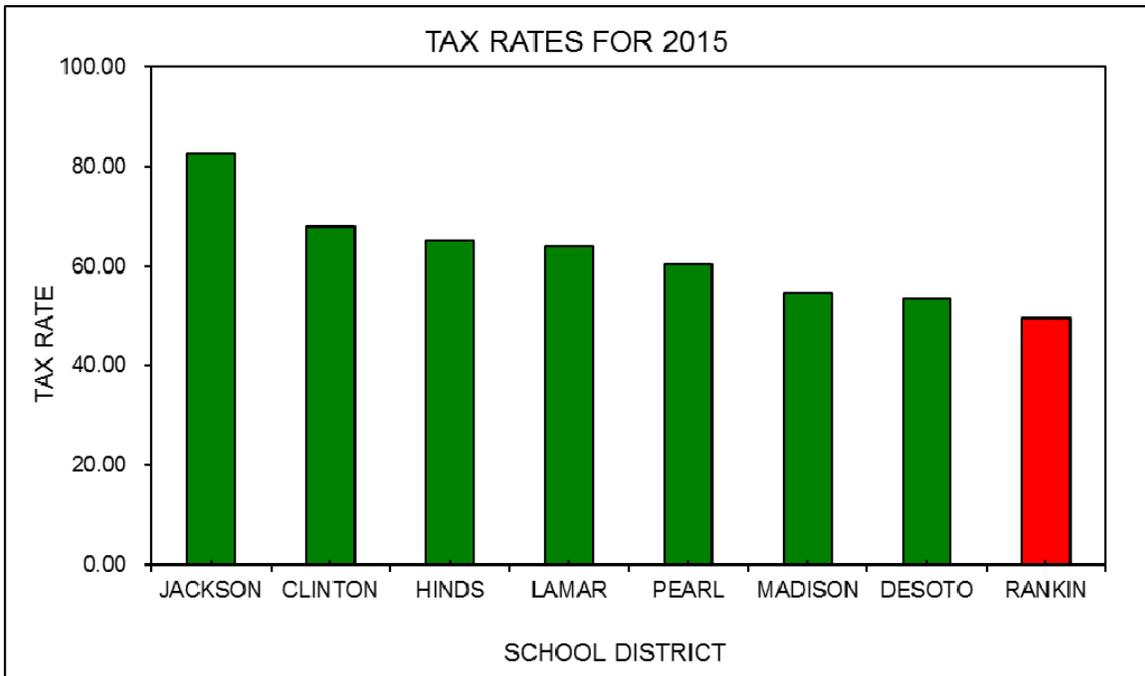
The District pursues grant funding to supplement the local, state and federal revenues.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have questions about this report or need additional financial information, contact the Superintendent's Office of the Rankin County School District, 1220 Apple Park Place, Brandon, MS 39042.

**RANKIN COUNTY SCHOOL DISTRICT  
COMPARISON OF TAX RATES  
FOR FISCAL YEAR 2015**

<b>SCHOOL DISTRICT</b>	<b>TAX RATE (MILLS)</b>
JACKSON	82.44
CLINTON	67.87
HINDS	65.00
LAMAR	63.98
PEARL	60.40
MADISON	54.55
DESOTO	53.57
RANKIN	49.42



## FINANCIAL STATEMENTS

## RANKIN COUNTY SCHOOL DISTRICT

## STATEMENT OF NET POSITION

JUNE 30, 2015

	Governmental Activities
<b>Assets:</b>	
Cash and cash equivalents	\$ 35,435,849
Due from other governments	3,787,780
Accrued interest receivable	31,155
Other receivables, net	398,972
Inventories	320,638
Prepaid items	32
Restricted assets	14,832,301
Capital assets, non-depreciable:	
Land	10,316,388
Construction in progress	2,313,249
Capital assets, net of accumulated depreciation:	
Buildings	134,891,433
Building improvements	2,933,621
Mobile equipment	4,774,877
Furniture and equipment	682,929
Total Assets	<u>210,719,224</u>
<b>Deferred Outflows of Resources</b>	
Pension related	16,779,064
Total Deferred Outflows of Resources	<u>16,779,064</u>
<b>Liabilities:</b>	
Accounts payable and accrued liabilities	642,988
Unearned revenue	198,311
Interest payable on long-term liabilities	565,650
Other payables	260,819
Long-term liabilities, due within one year:	
Capital related liabilities	8,689,057
Premiums on debt issued	30,311
Long-term liabilities, due beyond one year:	
Capital related liabilities	49,817,704
Premiums on debt issued	242,484
Non-capital related liabilities	1,013,151
Net pension liability	172,657,564
Total Liabilities	<u>234,118,039</u>
<b>Deferred Inflows of Resources</b>	
Pension related	25,912,206
Total Deferred Inflows of Resources	<u>25,912,206</u>
<b>Net Position:</b>	
Net Investment in Capital Assets	97,132,941
Restricted For:	
Expendable:	
School-based activities	4,854,304
Debt service	2,509,832
Capital improvements	3,317,087
Unemployment benefits	469,488
Forestry improvements	185,784
Sixteenth section	85,606
Nonexpendable:	
Sixteenth section	14,777,850
Unrestricted	(155,864,849)
Total Net Position (Deficit)	<u>\$ (32,531,957)</u>

The accompanying notes are an integral part of this statement.

**RANKIN COUNTY SCHOOL DISTRICT**

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities				
<i>Instruction</i>	89,112,761	3,457,149	9,352,837	(76,302,775)
<i>Support services</i>	50,022,292	--	4,609,911	(45,412,381)
<i>Noninstructional services</i>	9,450,282	5,220,798	5,068,482	838,998
<i>Sixteenth section</i>	269,493	37,468	--	(232,025)
<i>Pension expense</i>	11,375,359	--	--	(11,375,359)
<i>Interest on long-term liabilities</i>	2,555,534	--	--	(2,555,534)
Total Governmental Activities	<u>\$ 162,785,721</u>	<u>\$ 8,715,415</u>	<u>\$ 19,031,230</u>	<u>(135,039,076)</u>
General Revenues:				
Taxes:				
<i>General purpose levies</i>				50,212,758
<i>Debt purpose levies</i>				8,838,010
<i>Unrestricted grants and contributions:</i>				
<i>State</i>				79,426,276
<i>Federal</i>				413,291
<i>Unrestricted investment earnings</i>				186,671
<i>Sixteenth section sources</i>				1,920,951
<i>Other</i>				146,861
Total General Revenues				<u>141,144,818</u>
Change in Net Position				<u>6,105,742</u>
Net Position- Beginning, as previously reported				145,809,828
Prior Period Adjustment				(184,447,527)
Net Position (Deficit) - Beginning, as restated				<u>(38,637,699)</u>
Net Position (Deficit) - Ending				<u>\$ (32,531,957)</u>

The accompanying notes are an integral part of this statement.

# RANKIN COUNTY SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2015

	General Fund	EHA (IDEA) Fund
<b>Assets:</b>		
Cash and cash equivalents	\$ 23,665,773	\$ --
Cash with fiscal agents	--	--
Investments	--	--
Due from other governments	1,908,553	736,157
Accrued interest receivable	--	--
Other receivables, net	398,972	--
Due from other funds	1,321,155	--
Inventories	--	--
Prepaid items	--	--
<b>Total Assets</b>	<b>\$ 27,294,453</b>	<b>\$ 736,157</b>
<b>Liabilities and Fund Balances:</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 271,635	\$ --
Due to other funds	--	667,849
Unearned revenue	38,311	--
Other payables	192,511	68,308
<b>Total Liabilities</b>	<b>502,457</b>	<b>736,157</b>
<b>Fund Balances:</b>		
<b>Nonspendable:</b>		
Permanent fund principal	--	--
Inventory	--	--
Prepaid items	--	--
<b>Restricted:</b>		
Ad Valorem	89,231	--
Unemployment benefits	--	--
Forestry improvements	--	--
Capital improvements	--	--
Debt service	--	--
Grant activities	--	--
Food service	--	--
<b>Committed:</b>		
Projects	1,185,340	--
<b>Assigned:</b>		
Forestry improvements	--	--
Permanent fund principal	--	--
R-PAL special	--	--
Family resources center	--	--
Special education	1,042,618	--
Alternative school	303,994	--
At risk	88,344	--
Activity funds	1,270,112	--
Extended day enrichment program - frontiers	708,783	--
Building and improvements	26,434	--
Projects	2,106,000	--
Self insurance	7,800	--
<b>Unassigned</b>	<b>19,963,340</b>	<b>--</b>
<b>Total Fund Balances</b>	<b>26,791,996</b>	<b>--</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 27,294,453</b>	<b>\$ 736,157</b>

The accompanying notes are an integral part of this statement.

2014 Three Mill 10 Year Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
\$ 3,679,245	\$ 805,049	\$ 8,090,831	\$ 36,240,898
--	1,006,000	--	1,006,000
--	13,021,252	--	13,021,252
--	--	915,029	3,559,739
--	31,155	--	31,155
--	--	--	398,972
--	--	--	1,321,155
--	--	320,638	320,638
--	--	32	32
<u>\$ 3,679,245</u>	<u>\$ 14,863,456</u>	<u>\$ 9,326,530</u>	<u>\$ 55,899,841</u>
\$ 362,173	\$ --	\$ 9,180	\$ 642,988
--	--	572,277	1,240,126
--	--	160,000	198,311
--	--	--	260,819
<u>362,173</u>	<u>--</u>	<u>741,457</u>	<u>2,342,244</u>
--	14,777,850	--	14,777,850
--	--	320,638	320,638
--	--	32	32
--	--	--	89,231
--	--	469,488	469,488
--	--	184,408	184,408
3,317,072	--	15	3,317,087
--	--	3,075,482	3,075,482
--	--	401,535	401,535
--	--	4,114,501	4,114,501
--	--	--	1,185,340
--	--	1,376	1,376
--	85,606	--	85,606
--	--	17,497	17,497
--	--	101	101
--	--	--	1,042,618
--	--	--	303,994
--	--	--	88,344
--	--	--	1,270,112
--	--	--	708,783
--	--	--	26,434
--	--	--	2,106,000
--	--	--	7,800
--	--	--	19,963,340
<u>3,317,072</u>	<u>14,863,456</u>	<u>8,585,073</u>	<u>53,557,597</u>
<u>\$ 3,679,245</u>	<u>\$ 14,863,456</u>	<u>\$ 9,326,530</u>	<u>\$ 55,899,841</u>

**RANKIN COUNTY SCHOOL DISTRICT**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015

Total fund balances for governmental funds	\$ 53,557,597
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	155,912,497
Receivable recognized for sixteenth section not reported in the funds.	147,012
Liabilities due in one year are not recognized in the funds.	(8,719,368)
Payables for bond principal which are not due in the current period are not reported in the funds.	(25,370,000)
Payables for capital leases which are not due in the current period are not reported in the funds.	(727,704)
Payables for bond interest which are not due in the current period are not reported in the funds.	(565,650)
Payables for notes which are not due in the current period are not reported in the funds.	(23,720,000)
Payables for compensated absences not due in the current period are not reported in the funds.	(1,013,151)
Premiums on issuance of debt are recognized in the SNP.	(242,484)
Recognition of the School District's proportionate share of the net pension liability is not reported in the funds.	(172,657,564)
Deferred Inflow of Resources related to PERS are not reported in the funds.	(25,912,206)
Deferred Outflow of Resources related to PERS are not reported in the funds.	16,779,064
Net position of governmental activities	<u>\$ (32,531,957)</u>

The accompanying notes are an integral part of this statement.

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**RANKIN COUNTY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund	EHA (IDEA) Fund
	<u>                    </u>	<u>                    </u>
<b>Revenues:</b>		
Local sources	\$ 56,585,684	\$ --
State sources	79,253,028	--
Federal sources	417,561	3,656,584
Sixteenth section sources	1,125,291	--
Total Revenues	<u>137,381,564</u>	<u>3,656,584</u>
<b>Expenditures:</b>		
Instruction	83,758,448	1,893,840
Support services	49,677,621	1,490,531
Noninstructional services	2,102,246	--
Sixteenth section	206,770	--
Facilities acquisition and construction	22,363	--
Debt service:		
Principal	1,119,230	--
Interest	38,316	--
Other	--	--
Total Expenditures	<u>136,924,994</u>	<u>3,384,371</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>456,570</u>	<u>272,213</u>
<b>Other Financing Sources (Uses):</b>		
Inception of capital leases	998,000	--
Insurance recovery	945,875	--
Sale of other property	1,165	--
Transfers In	339,543	--
Transfers Out	(2,493,355)	(272,213)
Other financing uses	(65,790)	--
Total Other Financing Sources (Uses)	<u>(274,562)</u>	<u>(272,213)</u>
Net Change in Fund Balances	<u>182,008</u>	<u>--</u>
<b>Fund Balances:</b>		
July 1, 2014, as previously reported	25,104,608	--
Fund reclassification	1,505,380	--
July 1, 2014, as restated	<u>26,609,988</u>	<u>--</u>
Increase (decrease) in inventory	--	--
June 30, 2015	<u>\$ 26,791,996</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

2014 Three Mill 10 Year Fund	Sixteenth Section Principal Fund	Other Governmental Funds	Total Governmental Funds
\$ 5,669	\$ --	\$ 11,883,369	\$ 68,474,722
--	--	5,177,683	84,430,711
--	--	9,782,196	13,856,341
--	907,830	37,673	2,070,794
<u>5,669</u>	<u>907,830</u>	<u>26,880,921</u>	<u>168,832,568</u>
973,124	--	9,416,014	96,041,426
406,946	--	2,596,436	54,171,534
--	--	7,280,196	9,382,442
--	--	62,723	269,493
3,474,856	--	--	3,497,219
--	--	10,140,000	11,259,230
--	--	2,694,441	2,732,757
--	--	13,128	13,128
<u>4,854,926</u>	<u>--</u>	<u>32,202,938</u>	<u>177,367,229</u>
<u>(4,849,257)</u>	<u>907,830</u>	<u>(5,322,017)</u>	<u>(8,534,661)</u>
--	--	--	998,000
--	--	--	945,875
--	--	--	1,165
--	--	2,717,361	3,056,904
--	(138,467)	(152,869)	(3,056,904)
--	--	--	(65,790)
<u>--</u>	<u>(138,467)</u>	<u>2,564,492</u>	<u>1,879,250</u>
<u>(4,849,257)</u>	<u>769,363</u>	<u>(2,757,525)</u>	<u>(6,655,411)</u>
8,166,329	14,094,093	12,845,811	60,210,841
--	--	(1,505,380)	--
<u>8,166,329</u>	<u>14,094,093</u>	<u>11,340,431</u>	<u>60,210,841</u>
--	--	2,167	2,167
<u>\$ 3,317,072</u>	<u>\$ 14,863,456</u>	<u>\$ 8,585,073</u>	<u>\$ 53,557,597</u>

**RANKIN COUNTY SCHOOL DISTRICT**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015

Net change in fund balances - total governmental funds	\$ (6,655,411)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	4,477,668
The depreciation of capital assets used in governmental activities is not reported in the funds.	(4,970,621)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(162)
Revenues for sixteenth section recognized under the accrual method.	57,729
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	(11,375,359)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	7,200,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	1,119,230
Repayment of notes principal is an expenditure in the funds but is not an expense in the SOA.	2,940,000
(Increase) decrease in accrued interest from beginning of period to end of period.	160,040
Change in inventory affects fund balance in the funds but affects expense in the SOA.	2,167
Compensated absences are reported as amount earned in SOA but as amount paid in the funds.	32,493
Proceeds of leases do not provide revenue in the SOA, but are reported as current resources in the funds.	(998,000)
Bond premiums are reported in the funds but not in the SOA.	30,311
Pension contributions made after the measurement date.	<u>14,085,657</u>
Change in net position of governmental activities	<u>\$ 6,105,742</u>

The accompanying notes are an integral part of this statement.

**RANKIN COUNTY SCHOOL DISTRICT**

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2015

	Private-purpose Trust Funds	Agency Funds
	<u>                    </u>	<u>                    </u>
<b>Assets</b>		
Cash and cash equivalents	\$ 160,521	\$ 6,294,845
Total Assets	<u>\$ 160,521</u>	<u>\$ 6,294,845</u>
 <b>Liabilities</b>		
Accounts payable and accrued liabilities		\$ 5,647,775
Due to student clubs		566,041
Due to other funds		81,029
Total Liabilities		<u>\$ 6,294,845</u>
 <b>Net Position:</b>		
Reserved for endowments	\$ 160,521	
Total Net Position	<u>\$ 160,521</u>	

The accompanying notes are an integral part of this statement.

**RANKIN COUNTY SCHOOL DISTRICT**  
*STATEMENT OF CHANGES IN FIDUCIARY NET POSITION*  
*FIDUCIARY FUNDS*  
*FOR THE YEAR ENDED JUNE 30, 2015*

	Private-purpose Trust Funds
<b>Additions:</b>	
Investment Income	\$ 49
Plan Member Contributions	11,500
Total Additions	<u>11,549</u>
<b>Deductions:</b>	
Dues Fees	3,000
Supplies	7
Total Deductions	<u>3,007</u>
<b>Change in Net Position</b>	8,542
<b>Net Position</b>	
July 1, 2014	151,979
June 30, 2015	<u>\$ 160,521</u>

The accompanying notes are an integral part of this statement.

**Rankin County School District**

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

## **Rankin County School District**

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

### **Note 1 - Summary of Significant Accounting Policies**

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

#### **A. Financial Reporting Entity**

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

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

#### **B. Government-wide and Fund Financial Statements**

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

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

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

## Rankin County School District

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

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

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

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

The school district reports the following major governmental funds:

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

EHA (IDEA) Fund - This fund accounts for resources from the grants to states to assist them in providing a free appropriate public education to all children with disabilities.

2014 Three Mill 10 Year Fund - This fund is a capital project fund used to purchase buses, construct buildings and renovate existing facilities.

Sixteenth Section Principal Fund - This fund is used to account for sixteenth section resources that are legally restricted; only earnings, and not the principal, may be used for purposes that support the district's programs.

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 and changes in net position.

## Rankin County School District

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

The District's fiduciary funds include the following:

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

Student Club Fund - This fund accounts for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual club.

Scholarship Funds - These funds are private purpose trust funds that serve to report all trust arrangements.

Accounts Payable Clearing Fund - This fund serves as a clearing fund for payables outstanding at year end.

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

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

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

### FIDUCIARY FUNDS

Private-purpose Trust Funds - Private-purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, in which the principal and income benefit individuals, private organizations or other governments.

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.

## Rankin County School District

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

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

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

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

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

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the

## Rankin County School District

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

program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

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

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

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

### **D. Encumbrances**

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

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

#### **1. Cash, Cash equivalents and Investments**

##### Cash and cash equivalents

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

##### Investments

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

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

## Rankin County School District

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

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. 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

## Rankin County School District

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

that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the governmental column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

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

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

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years
Building Improvements	25,000	20 years
Improvements other than Buildings	25,000	20 years
Mobile Equipment	5,000	5-10 years
Furniture and Equipment	5,000	3-7 years
Leased Property Under Capital Leases	*	*

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

#### 7. Deferred outflows/inflows of resources

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

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

## Rankin County School District

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

a deferred inflow for pension.

See Note 14 for further details.

#### 8. Compensated Absences

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

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

#### 9. Long-term Liabilities 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.

## Rankin County School District

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

### 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.

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

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

When an expenditure 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 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.

## Rankin County School District

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 10-15% of the district maintenance fund's total revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

#### 12. New Pronouncements

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

### **Note 2 - Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments**

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

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

**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

## Rankin County School District

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

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 \$36,240,898 and \$6,455,366, 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 \$48,272,760 was exposed to custodial credit risk.

#### Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$1,006,000.

#### Investments

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

Investment Type	Rating	Maturities in (years)	Fair Value
Federal Home Loan Bank	AA+	4 years	\$ 1,990,200
Federal Home Loan Bank	AA+	3 years	994,180
Federal Home Loan Mortgage	AA+	4 years	1,990,440
Federal Farm Credit	AA+	2 years	2,076,121
Federal Farm Credit	AA+	3 years	1,997,960
Federal Farm Credit	AA+	4 years	2,000,960
Federal National Mortgage Assoc.	AA+	3 years	1,000,710
MS Development Bank	AA	3 years	259,083
MS Development Bank	AA	4 years	711,599
Total			<u>\$ 13,021,252</u>

*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.

## Rankin County School District

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

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

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

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

### Note 3 - Inter-fund Receivables, Payables and Transfers

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

#### A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	EHA (IDEA) Fund	\$ 667,849
	Other Governmental Funds	572,277
	Fiduciary Funds	81,029
Total		<u>\$ 1,321,155</u>

The purpose of the most significant interfund loans was to eliminate deficit cash balances in certain federal programs as part of normal year end closing adjustments.

#### B. Inter-fund Transfers

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Sixteenth Section Principal Fund	\$ 138,467
	Other Governmental Funds	152,806
	EHA (IDEA) Fund	48,270
Other Governmental Funds	EHA (IDEA) Fund	223,943
	Other Governmental Funds	63
	General Fund	2,493,355
Total		<u>\$ 3,056,904</u>

## Rankin County School District

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

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

#### Note 4 - Restricted Assets

The restricted assets represent the cash, cash with fiscal agents and investment balance, totaling \$805,049, \$1,006,000 and \$13,021,252, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

#### Note 5 - Capital Assets

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

	Balance 7-1-2014	Additions	Retirements	Completed Construction	Adjustments	Balance 6-30-2015
<u>Non-depreciable capital assets:</u>						
Land	\$ 10,294,025	22,363				10,316,388
Construction in progress	1,438,812	3,474,856		(2,653,896)	53,477	2,313,249
Total non-depreciable capital assets	11,732,837	3,497,219	0	(2,653,896)	53,477	12,629,637
<u>Depreciable capital assets:</u>						
Buildings	188,997,614			2,213,145		191,210,759
Building improvements	4,221,982			440,751		4,662,733
Mobile equipment	16,029,980	789,126				16,819,106
Furniture and equipment	5,883,534	191,323	16,243			6,058,614
Total depreciable capital assets	215,133,110	980,449	16,243	2,653,896	0	218,751,212
<u>Less accumulated depreciation for:</u>						
Buildings	52,553,047	3,766,279				56,319,326
Building improvements	1,563,956	165,156				1,729,112
Mobile equipment	11,303,091	741,138				12,044,229
Furniture and equipment	5,093,718	298,048	16,081			5,375,685
Total accumulated depreciation	70,513,812	4,970,621	16,081	0	0	75,468,352
Total depreciable capital assets, net	144,619,298	(3,990,172)	162	2,653,896	0	143,282,860
Governmental activities capital assets, net	\$ 156,352,135	(492,953)	162	0	53,477	155,912,497

Adjustments were made to correctly present construction in progress at year end.

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 2,875,203
Support services	1,618,575
Non-instructional	476,843
Total depreciation expense	\$ 4,970,621

## Rankin County School District

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

Construction in progress is composed of:

<b>Governmental Activities:</b>		Spent to June 30, 2015	Remaining Commitments
Agriculture Building - McLaurin High School	\$	490,527	191,688
Agriculture Building - Puckett High School		402,175	252,064
Football Stadium Renovation - Florence High School		824,212	1,042,308
Football Stadium - Brandon High School		178,149	
Football Weight Room - Richland High School		418,186	78,042
Total	\$	<u>2,313,249</u>	<u>1,564,102</u>

Construction projects in governmental activities are funded with proceeds from the 3 mill note.

### 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	Refunding	Balance 6-30-2015	Amounts due within one year
A. General obligation bonds payable	\$	37,090,000		7,200,000		29,890,000	4,520,000
B. Three mill note payable		29,775,000	9,405,000	2,940,000	(9,405,000)	26,835,000	3,115,000
Premium on note issued		303,106		30,311		272,795	30,311
C. Obligations under capital leases		1,902,991	998,000	1,119,230		1,781,761	1,054,057
D. Compensated absences payable		1,045,644		32,493		1,013,151	
Total	\$	<u>70,116,741</u>	<u>10,403,000</u>	<u>11,322,034</u>	<u>(9,405,000)</u>	<u>59,792,707</u>	<u>8,719,368</u>

#### A. General Obligation Bonds Payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, Series 1998	4.0-4.5%	06-01-98	02-01-15	\$ 33,045,000	0
General obligation bonds, Refunded 2007	3.5-5.0%	10-01-06	10-01-20	43,370,000	29,890,000
				<u>\$ 76,415,000</u>	<u>29,890,000</u>

## Rankin County School District

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

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

1. This debt was paid off during the year and retired from the 1998 Bond Issue Refinanced Fund.
2. Bond issue Refunded Series 2007:

Year Ending June 30	Principal	Interest	Total
2016	\$ 4,520,000	1,265,950	5,785,950
2017	4,710,000	1,039,950	5,749,950
2018	4,890,000	839,775	5,729,775
2019	5,070,000	644,175	5,714,175
2020	5,255,000	441,375	5,696,375
2021	5,445,000	224,606	5,669,606
Total	\$ <u>29,890,000</u>	<u>4,455,831</u>	<u>34,345,831</u>

This debt will be retired from the 2001 Bond Issue Fund.

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

### B. Three Mill Note Payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
2006 Three Mill Note	3.5-4.42%	08-01-06	08-01-17	\$ 17,000,000	2,415,000
2008 Three Mill Note	3.0-4.0%	06-01-08	06-01-18	4,500,000	1,525,000
2009 Three Mill Note	2.5-3.25%	05-06-09	04-01-19	5,700,000	2,550,000
2014 Three Mill Note	2.25-3.0%	08-01-13	08-01-23	12,000,000	10,940,000
2015 Three Mill Refunding Note	2.0-5.0%	06-30-15	08-01-26	9,405,000	9,405,000
Total				\$ <u>48,605,000</u>	<u>26,835,000</u>

## Rankin County School District

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

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

1. Three mill note payable issued in 2006:

Year Ending June 30	Principal	Interest	Total
2016	\$ 770,000	492,606	1,262,606
2017	805,000	453,231	1,258,231
2018	<u>840,000</u>	<u>416,306</u>	<u>1,256,306</u>
Total	<u>\$ 2,415,000</u>	<u>1,362,143</u>	<u>3,777,143</u>

This debt was partially refunded and partially repaid from the 3 Mill 20 Year (2006) Fund.

2. Three mill note payable issued in 2008:

This note is secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi Department of Education pursuant to the Mississippi Education Enhancement Funds (EEF Fund), Section 37-61-33(2)(d), Miss. Code Ann. (1972). The EEF funds pledged is to secure the 2009 through 2019 maturities in the approximate amounts of \$534,448 each year.

Year Ending June 30	Principal	Interest	Total
2016	\$ 490,000	50,856	540,856
2017	510,000	34,931	544,931
2018	<u>525,000</u>	<u>17,719</u>	<u>542,719</u>
Total	<u>\$ 1,525,000</u>	<u>103,506</u>	<u>1,628,506</u>

This debt will be retired from the EEF Building and Buses Fund.

3. Three mill note payable issued in 2009:

Year Ending June 30	Principal	Interest	Total
2016	\$ 600,000	78,188	678,188
2017	625,000	60,188	685,188
2018	650,000	41,438	691,438
2019	<u>675,000</u>	<u>21,938</u>	<u>696,938</u>
Total	<u>\$ 2,550,000</u>	<u>201,752</u>	<u>2,751,752</u>

**Rankin County School District**

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

This debt will be retired from the 3 Mill 10 Year (2009) Fund.

4. Three mill note payable issued in 2014:

Year Ending June 30	Principal	Interest	Total
2016	\$ 1,090,000	290,513	1,380,513
2017	1,120,000	264,250	1,384,250
2018	1,150,000	235,875	1,385,875
2019	1,180,000	206,750	1,386,750
2020	1,210,000	173,850	1,383,850
2021 - 2024	<u>5,190,000</u>	<u>316,650</u>	<u>5,506,650</u>
Total	<u>\$ 10,940,000</u>	<u>1,487,888</u>	<u>12,427,888</u>

This debt will be retired from the 3 Mill 10 Year (2014) Fund.

5. Three mill refunding note payable issued in 2015:

Year Ending June 30	Principal	Interest	Total
2016	\$ 165,000	203,928	368,928
2017		347,450	347,450
2018		347,450	347,450
2019	895,000	338,500	1,233,500
2020	920,000	320,350	1,240,350
2021 - 2025	5,050,000	1,130,700	6,180,700
2026 - 2027	<u>2,375,000</u>	<u>102,075</u>	<u>2,477,075</u>
Total	<u>\$ 9,405,000</u>	<u>2,790,453</u>	<u>12,195,453</u>

On June 2, 2015, the district issued \$9,405,000 in Three Mill Note, Series 2015B with an average interest rate of 2.0-5.0% to partially refund \$9,405,000 of outstanding Three Mill Note, Series 2006 with an average interest rate of 3.5-4.2%. The outstanding principal balance of the Three Mill Note, Series 2006 was \$2,415,000.

**Rankin County School District**

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

Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2016	\$ 3,115,000	1,116,091	4,231,091
2017	3,060,000	1,160,050	4,220,050
2018	3,165,000	1,058,788	4,223,788
2019	2,750,000	567,188	3,317,188
2020	2,130,000	494,200	2,624,200
2021 - 2025	10,240,000	1,447,350	11,687,350
2026 - 2027	2,375,000	102,075	2,477,075
<b>Total</b>	<b>\$ <u>26,835,000</u></b>	<b><u>5,945,742</u></b>	<b><u>32,780,742</u></b>

**C. Obligations under Capital Leases**

The school district has entered into lease agreements as lessee for financing the acquisition of computers and driver’s education cars at a cost of \$175,000, \$1,450,000, \$1,308,000, and \$998,000 respectively. These leases qualify as capital leases for accounting purposes.

The option available to the lessee for these leases is as follows:

- Option to purchase the equipment at the end of the lease term.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Master Lease - 2011 Drivers Education Cars	5%	08-16-11	04-10-16	\$ 175,000	37,881
Master Lease - 2013 Computers	1.56%	09-12-12	09-12-15	1,450,000	246,385
Master Lease - 2014 Computers	1.78%	08-26-13	09-25-16	1,308,000	662,633
Master Lease - 2015 Computers	1.58%	09-04-14	09-05-17	998,000	834,862
<b>Total</b>				<b>\$ <u>3,931,000</u></b>	<b><u>1,781,761</u></b>

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

- Master Lease - 2011 Drivers Education Cars:

Year Ending June 30	Principal	Interest	Total
2016	\$ <u>37,881</u>	<u>1,426</u>	<u>39,307</u>

This debt will be retired from the District Maintenance Fund.

## Rankin County School District

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

### 2. Master Lease - 2013 Computers:

Year Ending June 30	Principal	Interest	Total
2016	\$ <u>246,385</u>	<u>1,922</u>	<u>248,307</u>

This debt will be retired from the District Maintenance Fund.

### 3. Master Lease - 2014 Computers:

Year Ending June 30	Principal	Interest	Total
2016	\$ 439,794	9,854	449,648
2017	<u>222,839</u>	<u>1,985</u>	<u>224,824</u>
Total	\$ <u>662,633</u>	<u>11,839</u>	<u>674,472</u>

This debt will be retired from the District Maintenance Fund.

### 4. Master Lease - 2015 Computers:

Year Ending June 30	Principal	Interest	Total
2016	\$ 329,997	11,893	341,890
2017	335,258	6,658	341,916
2018	<u>169,607</u>	<u>1,340</u>	<u>170,947</u>
Total	\$ <u>834,862</u>	<u>19,891</u>	<u>854,753</u>

This debt will be retired from the District Maintenance Fund.

Total obligation under capital leases payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2016	\$ 1,054,057	25,095	1,079,152
2017	558,097	8,643	566,740
2018	<u>169,607</u>	<u>1,340</u>	<u>170,947</u>
Total	\$ <u>1,781,761</u>	<u>35,078</u>	<u>1,816,839</u>

## Rankin County School District

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

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.

### **D. 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 - Other Commitments**

Commitments under construction contracts are described in Note 5.

Operating leases:

The school district has several operating leases for the following:

1. Copiers
2. Risographs
3. Duplicators
4. Storage Room

Lease expenditures for the year ended June 30, 2015, amounted to \$422,466.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2016	\$ 323,425
2017	<u>253,678</u>
Total	\$ <u><u>577,103</u></u>

### **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

## Rankin County School District

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

et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

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

*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2015, 2014 and 2013 were \$14,085,657, \$13,689,608, and \$12,466,516, 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 \$172,657,564 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

## Rankin County School District

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

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 1.422435 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$11,375,359. 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	\$ 2,693,407	\$
Net difference between projected and actual earnings on pension plan investments		25,027,983
Changes in proportion and differences between District contributions and proportionate share of contributions		884,223
District contributions subsequent to the measurement date	14,085,657	
Total	<u>\$ 16,779,064</u>	<u>\$ 25,912,206</u>

\$14,085,657 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	\$ (5,606,210)
2017	(5,606,210)
2018	(5,749,383)
2019	(6,256,996)
Total	<u>\$ (23,218,799)</u>

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

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

## Rankin County School District

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

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

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

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

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

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

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

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
District's proportionate share of the net pension liability	\$ <u>235,383,747</u>	\$ <u>172,657,564</u>	\$ <u>120,334,601</u>

## Rankin County School District

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

*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 - Sixteenth Section Lands

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

Year Ending June 30	Amount
2016	\$ 1,051,178
2017	1,024,305
2018	1,013,554
2019	987,069
2020	972,069
2021 - 2025	4,659,013
2026 - 2030	4,153,653
2031 - 2035	2,784,861
2036 - 2040	1,677,711
2041 - 2045	730,183
2046 - 2050	326,116
2051 - 2055	109,050
Thereafter	571,250
Total	<u>\$ 20,060,012</u>

### Note 10 - Risk Management

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

### Note 11 - Contingencies

Federal Grants - The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal

## Rankin County School District

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

regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from the grantor audit may become a liability of the school district.

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

### Note 12 - Insurance Loss Recoveries

The Rankin County School District received \$945,875 in insurance loss recoveries related to hail and tornado damage during the 2014-2015 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as follows:

	Insurance Loss Recoveries	Percentage	Expense Function
\$	945,875	100%	Support services

### Note 13 - Fund Reclassification

The Sixteenth Section Interest fund beginning fund balance of \$1,505,380 was reclassified from the Special Revenue Fund to the General Fund, effective July 1, 2014. This change was necessary to meet the requirements of GASB 54 and to stay in compliance with the reporting requirements based on Sections 29-3-115 and 29-3-117, Miss. Code of 1972.

### Note 14 - Effect of Deferred Amounts in Net Position

The unrestricted net position amount of (\$155,864,849) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$16,779,064 balance of deferred outflow of resources, at June 30, 2015 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$155,864,849) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$25,912,206 balance of deferred inflow of resources, at June 30, 2015 will be recognized as a revenue and will increase the unrestricted net position over the next 4 years.

## Rankin County School District

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

### Note 15 - Prior Period Adjustments

A summary of significant Net Position adjustment is as follows:

Exhibit B - Statement of Activities

Explanation	Amount
1. Implementation of GASB 68 and 71:	\$
Net pension liability (06-30-14)	(198,190,612)
Deferred outflows - contributions made during fiscal year 2014	<u>13,689,608</u>
Total prior period adjustment related to GASB 68 and 71	(184,501,004)
2. Adjustments were made to correctly present construction in progress.	<u>53,477</u>
Total	<u>\$ (184,447,527)</u>

### Note 16 - 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 School District evaluated the activity of the district through the date the financial statements were available to be issued, and determined that subsequent events have occurred that required disclosure in the notes to the financial statements:

The School Board approved of computer purchases totaling \$4,468,176 from Apple Inc., with an interest rate of 0.49% for three years.

The District was issued a limited tax note in the amount of \$8,000,000, with an interest rate of 1.85-2.63% maturing on 06-30-2027.

REQUIRED SUPPLEMENTARY INFORMATION

**RANKIN COUNTY SCHOOL DISTRICT**

**Exhibit 1**

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	\$ 55,701,755	56,420,405	56,585,684	718,650	165,279
State sources	80,357,992	80,407,992	79,253,028	50,000	(1,154,964)
Federal sources	398,500	398,500	417,561	-	19,061
Sixteenth section sources	-	1,427,804	1,125,291	1,427,804	(302,513)
Total Revenues	<u>136,458,247</u>	<u>138,654,701</u>	<u>137,381,564</u>	<u>2,196,454</u>	<u>(1,273,137)</u>
<b>Expenditures:</b>					
Instruction	83,626,106	85,313,853	83,758,448	(1,687,747)	1,555,405
Support services	48,210,077	48,164,680	49,677,621	45,397	(1,512,941)
Noninstructional services	1,999,176	2,115,176	2,102,246	(116,000)	12,930
Sixteenth section	-	268,718	206,770	(268,718)	61,948
Facilities acquisition and construction	-	-	22,363	-	(22,363)
Debt Service:					
Principal	1,335,589	1,333,075	1,119,230	2,514	213,845
Interest	-	-	38,316	-	(38,316)
Total Expenditures	<u>135,170,948</u>	<u>137,195,502</u>	<u>136,924,994</u>	<u>(2,024,554)</u>	<u>270,508</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,287,299</u>	<u>1,459,199</u>	<u>456,570</u>	<u>171,900</u>	<u>(1,002,629)</u>
<b>Other Financing Sources (Uses):</b>					
Capital leases issued	1,000,000	1,000,000	998,000	-	(2,000)
Insurance recovery	10,000	10,000	945,875	-	935,875
Sale of other property	8,000	8,000	1,165	-	(6,835)
Operating transfers in	14,066,618	14,836,468	339,543	769,850	(14,496,925)
Operating transfers out	(16,760,907)	(18,578,757)	(2,493,355)	(1,817,850)	16,085,402
Other financing uses	-	-	(65,790)	-	(65,790)
Total Other Financing Sources (Uses)	<u>(1,676,289)</u>	<u>(2,724,289)</u>	<u>(274,562)</u>	<u>(1,048,000)</u>	<u>2,449,727</u>
Net Change in Fund Balances	<u>(388,990)</u>	<u>(1,265,090)</u>	<u>182,008</u>	<u>(876,100)</u>	<u>1,447,098</u>
<b>Fund Balances:</b>					
July 1, 2014, as previously reported	21,407,000	26,619,982	25,104,608	5,212,982	(1,515,374)
Fund reclassification	-	-	1,505,380	-	1,505,380
July 1, 2014, as restated	<u>21,407,000</u>	<u>26,619,982</u>	<u>26,609,988</u>	<u>5,212,982</u>	<u>(9,994)</u>
June 30, 2015	<u>\$ 21,018,010</u>	<u>25,354,892</u>	<u>26,791,996</u>	<u>4,336,882</u>	<u>1,437,104</u>

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

**RANKIN COUNTY SCHOOL DISTRICT**

**Exhibit 2**

Budgetary Comparison Schedule  
 EHA (IDEA) Fund  
 For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 3,500,000	3,835,074	3,656,584	335,074	(178,490)
Total Revenues	<u>3,500,000</u>	<u>3,835,074</u>	<u>3,656,584</u>	<u>335,074</u>	<u>(178,490)</u>
<b>Expenditures:</b>					
Instruction	1,489,300	2,074,965	1,893,840	(585,665)	181,125
Support services	<u>1,657,700</u>	<u>1,516,912</u>	<u>1,490,531</u>	<u>140,788</u>	<u>26,381</u>
Total Expenditures	<u>3,147,000</u>	<u>3,591,877</u>	<u>3,384,371</u>	<u>(444,877)</u>	<u>207,506</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>353,000</u>	<u>243,197</u>	<u>272,213</u>	<u>(109,803)</u>	<u>29,016</u>
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(353,000)	(243,197)	(272,213)	109,803	(29,016)
Total Other Financing Sources (Uses)	<u>(353,000)</u>	<u>(243,197)</u>	<u>(272,213)</u>	<u>109,803</u>	<u>(29,016)</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
July 1, 2014	-	-	-	-	-
June 30, 2015	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

**Rankin County School District**

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

PERS

Last 10 Fiscal Years\*

	<u>2015</u>
District's proportion of the net pension liability (asset)	\$ 172,657,564
District's proportionate share of the net pension liability (asset)	1.422435%
District's covered - employee payroll	86,918,146
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	198.643864%
Plan fiduciary net position as a percentage of the total pension liability	67.207687%

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

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

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

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

	2015
Contractually required contribution	\$ 14,085,657
Contributions in relation to the contractually required contribution	14,085,657
Contribution deficiency (excess)	\$ <u><u>-</u></u>
District's covered - employee payroll	89,432,743
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.

## **Rankin County School District**

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

### Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

### Pension Schedules

(1) Changes of benefit terms

None.

(2) Changes of assumptions

None.

## SUPPLEMENTARY INFORMATION

**Rankin County School District**  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2015

**Schedule 1**

<b>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</b>	<b>Catalog of Federal Domestic Assistance Number</b>	<b>Federal Expenditures</b>
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 612,207
National School Lunch Program	10.555	4,411,478
Total child nutrition cluster		<u>5,023,685</u>
Total passed-through the Mississippi Department of Education		<u>5,023,685</u>
<b>Total U.S. Department of Agriculture</b>		<u><u>5,023,685</u></u>
<b><u>U.S. Department of Defense</u></b>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	479,938
<b>Total U.S. Department of Defense</b>		<u>479,938</u>
<b><u>Federal Communications Commission</u></b>		
Administered through Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	279,069
<b>Total Federal Communications Commission</b>		<u>279,069</u>
<b><u>U.S. Department of Education</u></b>		
Passed-through the Mississippi Department of Education:		
Adult Education- Basic Grants to States	84.002	292,372
Title I Grants to Local Educational Agencies	84.010	2,708,790
Career and Technical Education - Basic Grants to States	84.048	169,254
English Language Acquisition Grants	84.365	72,432
Improving Teacher Quality - State Grants	84.367	821,066
Grants for State Assessments and Related Activities	84.369	33,696
Sub-total		<u>4,097,610</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	3,688,528
Special Education - Preschool Grants	84.173	103,675
Total special education cluster		<u>3,792,203</u>
Total passed-through the Mississippi Department of Education		<u>7,889,813</u>
<b>Total U.S. Department of Education</b>		<u><u>7,889,813</u></u>
<b><u>U. S. Department of Health and Human Services</u></b>		
Passed-through the Mississippi Department of Mental Health:		
Developmental Disabilities Basic Support and Advocacy Grants	93.630	35,671
Total passed-through the Mississippi Department of Mental Health		<u>35,671</u>
Passed-through the Mississippi Department of Education:		
Medical Assistance Program	93.778	92,636
Total passed-through the Mississippi Department of Education		<u>92,636</u>
<b>Total U.S. Department of Health and Human Services</b>		<u><u>128,307</u></u>
<b>TOTAL FOR ALL FEDERAL AWARDS</b>		<b>\$ <u><u>13,800,812</u></u></b>

**Notes to Schedule**

1. This schedule was prepared using the same basis of accounting and 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.

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

<b>Expenditures</b>	<b>Total</b>	<b>Instruction and Other Student Instructional Expenditures</b>	<b>General Administration</b>	<b>School Administration</b>	<b>Other</b>
Salaries and fringe benefits	\$ 124,091,522	96,361,897	2,892,428	10,678,096	14,159,101
Other	53,275,707	16,507,482	1,322,230	246,342	35,199,653
Total	<u>\$ 177,367,229</u>	<u>112,869,379</u>	<u>4,214,658</u>	<u>10,924,438</u>	<u>49,358,754</u>
Total number of students *	<u>19,087</u>				
Cost per student	<u>\$ 9,292</u>	<u>5,913</u>	<u>221</u>	<u>572</u>	<u>2,586</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 ; 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 school year.

## OTHER INFORMATION

**RANKIN COUNTY SCHOOL DISTRICT**

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

"UNAUDITED"

## General Fund

## Last Four Years

	2015	2014*	2013*	2012*
<b>Revenues:</b>				
Local sources	\$ 56,585,684	52,997,646	52,195,283	48,640,675
State sources	79,253,028	77,374,089	76,784,465	74,372,076
Federal sources	417,561	349,035	427,624	813,924
Sixteenth section sources	1,125,291	-	-	-
Total Revenues	<u>137,381,564</u>	<u>130,720,770</u>	<u>129,407,372</u>	<u>123,826,675</u>
<b>Expenditures:</b>				
Instruction	83,758,448	80,604,346	80,207,022	76,743,595
Support services	49,677,621	48,315,015	50,034,033	44,858,775
Noninstructional services	2,102,246	2,157,895	2,027,108	1,923,138
Sixteenth section	206,770	-	-	-
Facilities acquisition and construction	22,363	77,500	193,376	425,000
Debt service:				
Principal	1,119,230	1,069,155	563,355	437,252
Interest	38,316	46,012	44,432	32,337
Total Expenditures	<u>136,924,994</u>	<u>132,269,923</u>	<u>133,069,326</u>	<u>124,420,097</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>456,570</u>	<u>(1,549,153)</u>	<u>(3,661,954)</u>	<u>(593,422)</u>
<b>Other Financing Sources (Uses):</b>				
Capital leases issued	998,000	1,308,000	1,450,000	1,140,699
Insurance recovery	945,875	3,871,413	1,522,435	31,880
Sale of transportation equipment	-	-	-	2,097
Sale of other property	1,165	4,195	10,673	4,844
Operating transfers in	339,543	1,216,709	1,127,773	1,315,299
Operating transfers out	(2,493,355)	(2,373,288)	(2,392,417)	(2,454,021)
Other financing uses	(65,790)	-	-	-
Total Other Financing Sources (Uses)	<u>(274,562)</u>	<u>4,027,029</u>	<u>1,718,464</u>	<u>40,798</u>
Net Change in Fund Balances	<u>182,008</u>	<u>2,477,876</u>	<u>(1,943,490)</u>	<u>(552,624)</u>
Fund Balances:				
July 1, as previously reported	25,104,608	22,626,732	24,570,222	25,122,846
Prior period adjustments	1,505,380	-	-	-
July 1, as restated	<u>26,609,988</u>	<u>22,626,732</u>	<u>24,570,222</u>	<u>25,122,846</u>
June 30,	<u>\$ 26,791,996</u>	<u>25,104,608</u>	<u>22,626,732</u>	<u>24,570,222</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**RANKIN COUNTY SCHOOL DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

All Governmental Funds

Last Four Years

	2015	2014*	2013*	2012*
<b>Revenues:</b>				
Local sources	\$ 68,474,722	66,823,574	66,149,976	64,572,937
State sources	84,430,711	81,246,573	80,581,853	78,197,598
Federal sources	13,856,341	14,260,182	14,675,539	14,730,165
Sixteenth section sources	2,070,794	2,847,305	3,277,840	2,554,579
Total Revenues	<u>168,832,568</u>	<u>165,177,634</u>	<u>164,685,208</u>	<u>160,055,279</u>
<b>Expenditures:</b>				
Instruction	96,041,426	91,677,230	91,385,425	88,112,651
Support services	54,171,534	54,003,123	53,694,317	48,850,924
Noninstructional services	9,382,442	9,754,280	9,547,037	9,553,266
Sixteenth section	269,493	321,739	300,297	358,177
Facilities acquisition and construction	3,497,219	1,516,312	731,969	425,000
Debt service:				
Principal	11,259,230	11,009,155	10,089,991	9,600,905
Interest	2,732,757	2,738,460	3,165,107	3,582,277
Other	13,128	263,819	13,207	-
Total Expenditures	<u>177,367,229</u>	<u>171,284,118</u>	<u>168,927,350</u>	<u>160,483,200</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(8,534,661)</u>	<u>(6,106,484)</u>	<u>(4,242,142)</u>	<u>(427,921)</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds of debt issued	-	12,000,000	-	-
Capital leases issued	998,000	1,308,000	1,450,000	1,140,699
Insurance recovery	945,875	3,871,413	1,522,435	31,880
Premium on debt issued	-	303,106	-	-
Sale of transportation equipment	-	-	-	2,097
Sale of other property	1,165	4,195	10,673	4,844
Operating transfers in	3,056,904	4,699,470	4,835,240	4,116,070
Operating transfers out	(3,056,904)	(4,699,470)	(4,835,240)	(4,116,070)
Other financing uses	(65,790)	-	(98,548)	-
Total Other Financing Sources (Uses)	<u>1,879,250</u>	<u>17,486,714</u>	<u>2,884,560</u>	<u>1,179,520</u>
Net Change in Fund Balances	<u>(6,655,411)</u>	<u>11,380,230</u>	<u>(1,357,582)</u>	<u>751,599</u>
<b>Fund Balances:</b>				
July 1, as previously reported	60,210,841	48,760,716	50,119,777	49,323,680
Prior period adjustments	-	-	-	-
July 1, as restated	<u>60,210,841</u>	<u>48,760,716</u>	<u>50,119,777</u>	<u>49,323,680</u>
Increase (Decrease) in inventory	2,167	69,895	(1,479)	44,498
June 30,	<u>\$ 53,557,597</u>	<u>60,210,841</u>	<u>48,760,716</u>	<u>50,119,777</u>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## REPORTS ON INTERNAL CONTROLS AND COMPLIANCE

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Rankin 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 Rankin 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 Rankin County School District's basic financial statements, and have issued our report thereon dated December 18, 2015.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
December 18, 2015

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Rankin County School District

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

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

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

## Opinion on Each Major Federal Program

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

## Report on Internal Control Over Compliance

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

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

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

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

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
December 18, 2015

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Rankin County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rankin County School District as of and for the year ended June 30, 2015, which collectively comprise the Rankin County School District's basic financial statements and have issued our report thereon dated December 18, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

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

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

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
December 18, 2015

Certified Public Accountants

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Rankin County School District**

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

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

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

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
12.xxx	Reserve Officers' Training Corps
84.010	Title I Grants to Local Educational Agencies
84.367	Improving Teacher Quality - State Grants

8. Dollar threshold used to distinguish between type A and type B programs: \$414,024.
9. Auditee qualified as low-risk auditee? Yes.

Section II: Financial Statement Findings

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

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

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