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**SCOTT COUNTY SCHOOL DISTRICT**

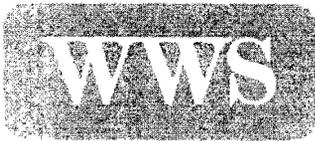
**Audited Financial Statements  
For the Year Ended June 30, 2015**

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

**SCOTT COUNTY SCHOOL DISTRICT  
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**INDEPENDENT AUDITORS' REPORT**



**WATKINS, WARD and STAFFORD**  
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**INDEPENDENT AUDITORS' REPORT**

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

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

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

***Auditors' Responsibility***

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 Scott County School District, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 5-13, 42-43, 44 and 45, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Scott 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 January 18, 2016 on our consideration of the Scott 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 Scott County School District's internal control over financial reporting and compliance.

Watkins, Ward and Stafford, PLLC  
Louisville, Mississippi  
January 18, 2016

*Watkins Ward and Stafford, PLLC*

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

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

**FINANCIAL HIGHLIGHTS**

- Total net position for 2015 decreased \$33,561,009, including a prior period adjustment of (\$32,701,126), which represents a 176% decrease from fiscal year 2014. Total net position for 2014 decreased \$2,063,453, including a prior period adjustment of \$11,506, which represents a 10% decrease from fiscal year 2013.
- General revenues amounted to \$23,274,017 and \$22,489,970, or 76% and 80% 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 \$7,184,814, or 24% of total revenues for 2015, and \$5,570,948, or 20% of total revenues for 2014.
- The District had \$31,314,418 and \$30,135,877 in expenses for fiscal years 2015 and 2014; only \$7,184,814 for 2015 and \$5,570,948 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$23,274,017 for 2015 and \$22,489,970 for 2014 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$23,305,971 in revenues and \$24,198,510 in expenditures for 2015, and \$22,117,533 in revenues and \$23,940,036 in expenditures in 2014. The General Fund's fund balance increased by \$1,722,962 from 2014 to 2015, which included a prior period adjustment of (\$16,126), and a fund reclassification of \$2,294,749, and decreased by \$1,036,011 from 2013 to 2014, which included a prior period adjustment of \$21,254.
- Capital assets, net of accumulated depreciation, decreased by \$251,966 for 2015 and decreased by \$485,810 for 2014. The decrease for 2015 was due to the addition of school buses coupled with the increase in accumulated depreciation.
- Long-term debt increased by \$408,015 for 2015 and decreased by \$10,067 for 2014. This increase for 2015 was due primarily to the issuance of an obligation for a capital lease. The liability for compensated absences increased by \$5,115 for 2015 and decreased by \$10,067 for 2014.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide Financial Statements**

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

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

The Statement of Net Position presents information on all the District's 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 and interest on long-term liabilities.

**Fund Financial Statements**

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

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

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

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

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

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

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

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

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

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

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

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

**Notes to the financial statements**

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

**Required Supplementary Information**

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

**Supplementary Information**

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

**Other Information**

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

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

**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 \$14,523,552 as of June 30, 2015.

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

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

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

**Table 1  
Condensed Statement of Net Position**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Current assets	\$ 4,977,996	\$ 5,711,905	-12.85 %
Restricted assets	83,241	83,075	0.20 %
Capital assets, net	13,698,651	13,950,617	-1.81 %
<b>Total assets</b>	<b>18,759,888</b>	<b>19,745,597</b>	<b>-4.99 %</b>
<b>Deferred outflows of resources</b>	<b>3,722,749</b>	<b>-</b>	<b>N/A %</b>
Current liabilities	298,736	542,685	-44.95 %
Long-term debt outstanding	573,470	165,455	246.60 %
Net pension liability	31,559,239	-	N/A %
<b>Total liabilities</b>	<b>32,431,445</b>	<b>708,140</b>	<b>4479.81 %</b>
<b>Deferred inflows of resources</b>	<b>4,574,744</b>	<b>-</b>	<b>N/A %</b>
<b>Net position:</b>			
Net investment in capital assets	13,295,751	13,950,617	-4.69 %
Restricted	1,163,479	1,074,410	8.29 %
Unrestricted	(28,982,782)	4,012,430	-822.32 %
<b>Total net position (deficit)</b>	<b>\$ (14,523,552)</b>	<b>\$ 19,037,457</b>	<b>-176.29 %</b>

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$(28,982,782)
Less unrestricted deficit in net position resulting from recognition of the net pension liability	32,406,938
Unrestricted net position, exclusive of the net pension liability effect	<u>\$3,424,156</u>

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

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

- Decrease in net capital assets in the amount of \$251,966.
- Capital leases issued in the amount of \$402,900.
- Implementation of GASB Statement No. 68 which required the recording of a liability for the proportionate share of net pension liability of the school district as well as the recording of deferred outflows/inflows of resources on the Statement of Net Position

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$30,458,831 and \$28,060,918, respectively. The total cost of all programs and services was \$31,318,714 for 2015 and \$30,135,877 for 2014.

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

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

**Table 2  
Changes in Net Position**

	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2014</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 1,008,553	\$ 917,574	9.92 %
Operating grants and contributions	6,162,538	4,653,374	32.43 %
Capital grants and contributions	13,723	-	N/A %
General revenues:			
Property taxes	2,889,507	2,736,274	5.60 %
Grants and contributions not restricted	19,820,322	19,334,572	2.51 %
Investment earnings	11,781	14,031	(16.04) %
Sixteenth section sources	496,120	367,754	34.91 %
Other	56,287	37,339	50.75 %
<b>Total revenues</b>	<u>30,458,831</u>	<u>28,060,918</u>	<b>8.55 %</b>
<b>Expenses:</b>			
Instruction	16,785,605	17,795,269	(5.67) %
Support services	9,598,870	9,960,247	(3.63) %
Non-instructional	2,472,094	2,349,762	5.21 %
Sixteenth section	102,722	30,599	235.70 %
Pension expense	2,352,347	-	N/A %
Interest on long-term liabilities	7,076	-	N/A %
<b>Total expenditures</b>	<u>31,318,714</u>	<u>30,135,877</u>	<b>3.93 %</b>
<b>Increase (Decrease) in net position</b>	<b>(859,883)</b>	<b>(2,074,959)</b>	<b>58.56 %</b>
<b>Net Position, July 1, as previously reported</b>	<b>19,037,457</b>	<b>21,100,910</b>	<b>(9.78)</b>
<b>Prior Period Adjustment</b>	<b>(32,701,126)</b>	<b>11,506</b>	<b>(284,309.33)</b>
<b>Net Position, July 1, as restated</b>	<b>(13,663,669)</b>	<b>21,112,416</b>	<b>(164.72)</b>
<b>Net Position, June 30</b>	<u><b>\$ (14,523,552)</b></u>	<u><b>\$ 19,037,457</b></u>	<b>(176.29)</b>

**SCOTT 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 do not reflect the implementation of GASB 68.

**Table 3  
Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2015</u>	<u>2014</u>	
Instruction	\$ 16,785,605	\$ 17,795,269	(5.67) %
Support services	9,598,870	9,960,247	(3.63) %
Non-instructional	2,472,094	2,349,762	5.21 %
Sixteenth section	102,722	30,599	235.70 %
Pension expense	2,352,347	-	N/A
Interest on long-term liabilities	7,076	-	N/A %
<b>Total expenses</b>	<b><u>\$ 31,318,714</u></b>	<b><u>\$ 30,135,877</u></b>	<b>3.93 %</b>
	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2015</u>	<u>2014</u>	
Instruction	\$ (13,556,250)	\$ (15,615,642)	(13.19) %
Support services	(8,275,550)	(9,117,856)	(9.24) %
Non-instructional	116,488	181,904	(35.96) %
Sixteenth section	(59,165)	(13,335)	343.68 %
Pension expense	(2,352,347)	-	N/A
Interest on long-term liabilities	(7,076)	-	N/A %
<b>Total net (expense) revenue</b>	<b><u>\$ (24,133,900)</u></b>	<b><u>\$ (24,564,929)</u></b>	<b>(1.75) %</b>

- Net cost of governmental activities (\$24,133,900 for 2015 and \$24,564,929 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$2,889,507 for 2015 and \$2,736,274 for 2014) and state and federal revenues (\$19,820,322 for 2015 and \$19,334,572 for 2014). In addition, there was \$496,120 and \$367,754 in Sixteenth Section sources for 2015 and 2014, respectively.
- Investment earnings amounted to \$11,781 for 2015 and \$14,031 for 2014.

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

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

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

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

completed the year, its governmental funds reported a combined fund balance of \$4,769,577, a decrease of \$482,718, which includes a prior period adjustment of (\$9,400) and a decrease in inventory of (\$20,315). \$3,370,465 or 71% 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 \$1,399,112 or 29% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$1,722,962, which includes a prior period adjustment of (\$16,126) and a fund reclassification of \$2,294,749. The fund balance of Other Governmental Funds showed a decrease in the amount of \$2,205,680, which includes a prior period adjustment of \$6,726, a fund reclassification of (\$2,294,749) and a decrease in reserve for inventory of \$20,315. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Vocational	no increase or decrease

**BUDGETARY HIGHLIGHTS**

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

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.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2015, the District's total capital assets were \$27,784,099, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$475,483 from 2014. Total accumulated depreciation as of June 30, 2015, was \$14,085,448, and total depreciation expense for the year was \$727,449, resulting in total net capital assets of \$13,689,651.

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Land	\$ 127,250	\$ 127,250	0.00 %
Buildings	11,127,809	11,460,266	(2.90) %
Building improvements	473,504	498,241	(4.96) %
Improvements other than buildings	239,142	247,572	(3.41) %
Mobile equipment	1,140,387	1,348,014	(15.40) %
Furniture and equipment	228,015	269,274	(15.32) %
Leased property under capital leases	362,544		N/A %
<b>Total</b>	<b>\$ 13,698,651</b>	<b>\$ 13,950,617</b>	<b>(1.81) %</b>

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

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

**Debt Administration.** At June 30, 2015, the District had \$573,470 in outstanding long-term debt, of which \$76,936 is due within one year. The liability for compensated absences increased \$5,115 from the prior year.

**Table 5  
Outstanding Long-Term Debt**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Change</u>
Obligations under capital leases	\$ 402,900	\$ -	N/A %
Compensated absences payable	170,570	165,455	3.09 %
<b>Total</b>	<b>\$ 573,470</b>	<b>\$ 165,455</b>	<b>246.60 %</b>

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

**CURRENT ISSUES**

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

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting, and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

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

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Scott County School District, 100 East First Street, Forest, MS 39074.

**FINANCIAL STATEMENTS**

Scott County School District  
Statement of Net Position  
June 30, 2015

Exhibit A

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 4,068,936
Due from other governments	825,788
Other receivables, net	56,347
Inventories	26,925
Restricted assets	83,241
Capital assets, non-depreciable:	
Land	127,250
Capital assets, net of accumulated depreciation:	
Buildings	11,127,809
Building improvements	473,504
Improvements other than buildings	239,142
Mobile equipment	1,140,387
Furniture and equipment	228,015
Leased property under capital leases	362,544
Total Assets	<u>18,759,888</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows - pensions	3,722,749
Total Deferred Outflows of Resources	<u>3,722,749</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	287,145
Unearned revenue	4,515
Interest payable on long-term liabilities	7,076
Long-term liabilities, due within one year:	
Capital related liabilities	76,936
Long-term liabilities, due beyond one year:	
Capital related liabilities	325,964
Non-capital related liabilities	170,570
Net pension liability	31,559,239
Total Liabilities	<u>32,431,445</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	4,574,744
Total Deferred Inflows of Resources	<u>4,574,744</u>
<b>Net Position</b>	
Net investment in capital assets	13,295,751
Restricted for:	
Expendable:	
School-based activities	853,606
Forestry improvements	148,158
Unemployment benefits	78,474
Non-expendable:	
Sixteenth section	83,241
Unrestricted	(28,982,782)
Total Net Position	<u>\$ (14,523,552)</u>

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

Scott County School District  
Statement of Activities  
For the Year Ended June 30, 2015

Exhibit B

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Instruction	\$ 16,785,605	\$ 557,322	\$ 2,672,033	-		\$ (13,556,250)
Support services	9,598,870	-	1,309,597	13,723		(8,275,550)
Non-instructional	2,472,094	407,674	2,180,908	-		116,488
Sixteenth section	102,722	43,557	-	-		(59,165)
Pension expense	2,352,347	-	-	-		(2,352,347)
Interest on long-term liabilities	7,076	-	-	-		(7,076)
<b>Total Governmental Activities</b>	<b>\$ 31,318,714</b>	<b>\$ 1,008,553</b>	<b>\$ 6,162,538</b>	<b>13,723</b>		<b>\$ (24,133,900)</b>

General Revenues:

Taxes:

General purpose levies 2,889,507

Unrestricted grants and contributions:

State 19,489,246

Federal 331,076

Unrestricted investment earnings 11,781

Sixteenth section sources 496,120

Other 56,287

Total General Revenues 23,274,017

Change in Net Position (859,883)

Net Position - Beginning, as previously reported 19,037,457

Prior Period Adjustments (32,701,126)

Net Position - Beginning (13,663,669)

Net Position - Ending \$ (14,523,552)

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

Scott County School District  
 Governmental Funds  
 Balance Sheet  
 June 30, 2015

Exhibit C

	Major Funds			Total Governmental Funds
	General Fund	Vocational Fund	Other Governmental Funds	
<b>Assets</b>				
Cash and cash equivalents	\$ 3,018,413	\$ 64	\$ 1,133,700	\$ 4,152,177
Due from other governments	451,468	224,952	149,368	825,788
Other receivables, net	32,273	-	-	32,273
Due from other funds	336,157	-	5,761	341,918
Inventories	-	-	26,925	26,925
Total Assets	<u>\$ 3,838,311</u>	<u>\$ 225,016</u>	<u>\$ 1,315,754</u>	<u>\$ 5,379,081</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 226,547	\$ 7,103	\$ 53,495	\$ 287,145
Due to other funds	5,666	217,913	94,265	317,844
Unearned revenue	-	-	4,515	4,515
Total Liabilities	<u>\$ 232,213</u>	<u>\$ 225,016</u>	<u>\$ 152,275</u>	<u>\$ 609,504</u>
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Inventory	-	-	26,925	26,925
Permanent fund principal	-	-	83,241	83,241
<b>Restricted:</b>				
Forestry improvement purposes	-	-	148,158	148,158
Grant activities	-	-	826,681	826,681
Unemployment benefits	-	-	78,474	78,474
<b>Assigned:</b>				
Student activity	150,597	-	-	150,597
Capital improvements	85,036	-	-	85,036
<b>Unassigned</b>	<u>3,370,465</u>	<u>-</u>	<u>-</u>	<u>3,370,465</u>
Total Fund Balances	<u>3,606,098</u>	<u>-</u>	<u>1,163,479</u>	<u>4,769,577</u>
Total Liabilities and Fund Balances	<u>\$ 3,838,311</u>	<u>\$ 225,016</u>	<u>\$ 1,315,754</u>	<u>\$ 5,379,081</u>

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

Scott County School District  
 Governmental Funds

Exhibit C-1

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

Total fund balances for governmental funds \$ 4,769,577

Amounts reported for governmental activities in the statement of net position are different because:

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:			
Land	\$	127,250	
Buildings		20,073,919	
Building improvements		616,659	
Improvements other than buildings		814,763	
Mobile equipment		4,538,397	
Furniture and equipment		1,214,711	
Leased property under capital leases		398,400	
Accumulated depreciation		<u>(14,085,448)</u>	13,698,651
2. Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:			
Net pension liability		(31,559,239)	
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:			
Deferred outflows of resources related to pensions		3,722,749	
Deferred inflows of resources related to pensions		<u>(4,574,744)</u>	(32,411,234)
3. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:			
Capital lease obligations		(402,900)	
Compensated absences		(170,570)	
Accrued interest payable		<u>(7,076)</u>	(580,546)
<b>Net position of governmental activities</b>			<u><u>\$ (14,523,552)</u></u>

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

Scott County School District  
Governmental Funds

Exhibit D

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

	Major Funds			Total Governmental Funds
	General Fund	Vocational Fund	Other Governmental Funds	
<b>Revenues:</b>				
Local sources	\$ 3,097,124	\$ 410,281	\$ 409,550	\$ 3,916,955
State sources	19,375,735	567,841	287,802	20,231,378
Federal sources	331,976	57,955	5,375,274	5,765,205
Sixteenth section sources	501,136	-	44,157	545,293
<b>Total Revenues</b>	<b>23,305,971</b>	<b>1,036,077</b>	<b>6,116,783</b>	<b>30,458,831</b>
<b>Expenditures:</b>				
Instruction	15,258,814	800,791	2,196,393	18,255,998
Support services	8,879,298	375,215	1,185,263	10,439,776
Noninstructional services	-	-	2,516,238	2,516,238
Sixteenth section	60,398	-	42,324	102,722
<b>Total Expenditures</b>	<b>24,198,510</b>	<b>1,176,006</b>	<b>5,940,218</b>	<b>31,314,734</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(892,539)	(139,929)	176,565	(855,903)
<b>Other Financing Sources (Uses):</b>				
Capital leases issued	402,900	-	-	402,900
Operating transfers in	112,907	139,929	39,000	291,836
Operating transfers out	(178,929)	-	(112,907)	(291,836)
<b>Total Other Financing Sources (Uses)</b>	<b>336,878</b>	<b>139,929</b>	<b>(73,907)</b>	<b>402,900</b>
<b>Net Change in Fund Balances</b>	<b>(555,661)</b>	<b>-</b>	<b>102,658</b>	<b>(453,003)</b>
<b>Fund Balances:</b>				
July 1, 2014, as previously reported	1,883,136	-	3,369,159	5,252,295
Fund reclassifications	2,294,749	-	(2,294,749)	-
Prior period adjustments	(16,126)	-	6,726	(9,400)
July 1, 2014, as restated	4,161,759	-	1,081,136	5,242,895
Increase (Decrease) in reserve for inventory	-	-	(20,315)	(20,315)
<b>June 30, 2015</b>	<b>\$ 3,606,098</b>	<b>\$ -</b>	<b>1,163,479</b>	<b>\$ 4,769,577</b>

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

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

Exhibit D-1

Net change in fund balances - total governmental funds \$ (453,003)

Amounts reported for governmental activities in the statement of activities are different because:

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 475,483	
Depreciation expense	<u>(727,449)</u>	(251,966)

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

Capital leases issued	(402,900)	
Accrued interest payable	<u>(7,076)</u>	(409,976)

3. The implementation of GASB 68 creates a change in the amount of pension expense that is reported in the statement of activities. A breakdown of these changes are listed below:

Pension contributions for the FYE 6/30/15 are reported as a deferred outflow	2,632,839	
Pension expense calculated during the implementation of GASB 68	<u>(2,352,347)</u>	280,492

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

Change in compensated absences	(5,115)	
Change in inventory reserve	<u>(20,315)</u>	(25,430)

Change in net position of governmental activities \$ (859,883)

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

**Scott County School District**  
**Fiduciary Funds**  
**Statement of Fiduciary Assets and Liabilities**  
**June 30, 2015**

**Exhibit E**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 1,152,253
Due from other funds	<u>5,666</u>
Total Assets	<u>\$ 1,157,919</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 942,183
Due to other funds	29,740
Due to student clubs	<u>185,996</u>
Total Liabilities	<u>\$ 1,157,919</u>

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

**SCOTT COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

**Note 1 – Summary of Significant Accounting Policies**

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

**A. Financial Reporting Entity**

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board to which each member is elected by the citizens of each defined county district. At the beginning of fiscal year 2014, the school district was under conservatorship by the Mississippi Department of Education (MDE) due to accreditation issues. The MDE appointed a conservator to govern the district and dissolved the school board. During the current fiscal year, many of these issues were resolved and a new five member school board was elected. The new school board began their term on April 28, 2015.

For financial reporting purposes, Scott 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. The effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

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

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

**SCOTT COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

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.

Vocational Fund - This is a special revenue fund that accounts for the local, state, and federal revenue received and expenditures incurred related to the District's vocational education program.

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

The school district also reports fiduciary funds which focus on assets and liabilities only.

The District's fiduciary funds include the following:

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

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

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

Additionally, the school district reports the following fund types:

**GOVERNMENTAL FUNDS**

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

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

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

**SCOTT COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

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

**FIDUCIARY FUNDS**

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

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

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

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

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

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

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

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

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

**SCOTT COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

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.

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.

**SCOTT COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal 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.

**SCOTT COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The school district has incurred a deferred outflow which is presented as a deferred outflow related to pensions. See Note 15 for further details.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The school district has incurred a deferred inflow which is presented as a deferred inflow related to pensions. See Note 15 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.

**SCOTT COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

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

10. Pensions

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

11. Fund Balances

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

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

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

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

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

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

**SCOTT COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

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

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

**F. New Pronouncements**

In June 2012, the GASB issued GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*. In November 2013, The GASB also issued GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. These statements established 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 were addressed. These Statements were effective for fiscal years beginning after June 15, 2014 and are to be applied simultaneously.

**Note 2 – Cash and Cash Equivalents**

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits 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.

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$4,152,177 and \$ 1,152,253, respectively. The carrying amount of deposits reported in the government-wide financial statements was \$4,152,177.

**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 \$5,868,819 was exposed to custodial credit risk.

**SCOTT COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

**Note 3 – Inter-fund Receivables, Payables and Transfers**

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

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

Receivable Fund	Payable Fund	Amount
General fund	Vocational fund	\$ 217,913
General fund	Other governmental funds	94,265
General fund	Agency funds	23,979
Other governmental funds	Agency funds	5,761
Agency funds	General fund	5,666
Total		<u>\$ 347,584</u>

The primary purpose of the inter-fund receivables and payables is to close out federal program funds at year end. All inter-fund receivables and payables are expected to be repaid within one year.

**B. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
Other governmental funds	General Fund	\$ 112,907
General Fund	Vocational fund	139,929
General Fund	Other governmental funds	39,000
Total		<u>\$ 291,836</u>

The primary purpose of the inter-fund transfers was to transfer funds to various other governmental funds for operating purposes. These transfers were consistent with the activities of the fund making the transfer.

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance totaling \$83,241 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.

**SCOTT COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

**Note 5 – Capital Assets**

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

	Balance 7/1/2014	Increases	Decreases	Balance 6/30/2015
<b>Governmental Activities:</b>				
<u>Non-depreciable capital assets:</u>				
Land	\$ 127,250	\$ -	\$ -	\$ 127,250
Total non-depreciable capital assets	<u>127,250</u>	<u>-</u>	<u>-</u>	<u>127,250</u>
<u>Depreciable capital assets:</u>				
Buildings	20,073,919	-	-	20,073,919
Building improvements	616,659	-	-	616,659
Improvements other than buildings	814,763	-	-	814,763
Mobile equipment	4,525,897	12,500	-	4,538,397
Furniture and equipment	1,150,128	64,583	-	1,214,711
Leased property under capital leases	-	398,400	-	398,400
Total depreciable capital assets	<u>27,181,366</u>	<u>475,483</u>	<u>-</u>	<u>27,656,849</u>
<u>Less accumulated depreciation for:</u>				
Buildings	8,613,653	332,457	-	8,946,110
Building improvements	118,418	24,737	-	143,155
Improvements other than buildings	567,191	8,430	-	575,621
Mobile equipment	3,177,883	220,127	-	3,398,010
Furniture and equipment	880,854	105,842	-	986,696
Leased property under capital leases	-	35,856	-	35,856
Total accumulated depreciation	<u>13,357,999</u>	<u>727,449</u>	<u>-</u>	<u>14,085,448</u>
Total depreciable capital assets, net	<u>13,823,367</u>	<u>(251,966)</u>	<u>-</u>	<u>13,571,401</u>
Governmental activities capital assets, net	<u>\$ 13,950,617</u>	<u>\$ (251,966)</u>	<u>\$ -</u>	<u>\$ 13,698,651</u>

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 411,233
Support services	272,006
Non-instructional	44,210
Total depreciation expense - Governmental activities	<u>\$ 727,449</u>

**SCOTT COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015	Amounts due within one year
A. Obligations under capital leases	\$ -	\$ 402,900	\$ -	\$ 402,900	\$ 76,936
B. Compensated absences payable	165,455	15,064	9,949	170,570	-
<b>Total</b>	<b>\$ 165,455</b>	<b>\$ 417,964</b>	<b>\$ 9,949</b>	<b>\$ 573,470</b>	<b>\$ 76,936</b>

**A. Obligations under capital leases**

The school district has entered into a lease agreement as lessee for financing the acquisition of school buses at a cost of \$402,900. This lease qualifies as a capital lease for accounting purposes.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. BancorpSouth Equipment Finance, Series 2014	2.29%	9/26/2014	9/26/2019	\$ 402,900	\$ 402,900
<b>Total</b>				<b>\$ 402,900</b>	<b>\$ 402,900</b>

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

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2016	\$ 76,936	\$ 9,324	\$ 86,260
2017	78,716	7,543	86,259
2018	80,538	5,722	86,260
2019	82,402	3,858	86,260
2020	84,308	1,951	86,259
<b>Total</b>	<b>\$ 402,900</b>	<b>\$ 28,398</b>	<b>\$ 431,298</b>

This debt will be retired from the District Maintenance Fund (General Fund)

**B. 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.

**SCOTT COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

**Note 7 – Defined Benefit Pension Plan**

**General Information about the Pension Plan**

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

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

*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2015, 2014 and 2013 were \$2,632,839, \$2,502,354 and \$2,211,915, respectively, which equaled the required contributions for each year.

**SCOTT COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

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

At June 30, 2015, the school district reported a liability of \$31,559,239 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2014, the school district's proportion was 0.26001 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$2,352,347. 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	\$ 492,314	\$ -
Net difference between projected and actual earnings on pension plan investments	-	4,574,744
Changes in proportion and differences between District contributions and proportionate share of contributions	597,596	-
District contributions subsequent to the measurement date	2,632,839	-
<b>Total</b>	<b>\$ <u>3,722,749</u></b>	<b>\$ <u>4,574,744</u></b>

\$2,637,135 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:

<u>Year ended June 30:</u>	
2016	\$ (751,632)
2017	(751,632)
2018	(837,884)
2019	(1,143,686)
2020	-
Thereafter	-

*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

**SCOTT COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

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

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

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

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

*Discount rate.* The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected 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	\$ 43,024,654	\$ 31,559,239	\$ 21,995,379

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

**SCOTT COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

**Note 8 – Sixteenth Section Lands**

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

Year Ending June 30	Amount
2016	\$ 133,880
2017	123,030
2018	118,936
2019	112,612
2020	111,650
2021 - 2025	555,374
2026 - 2030	486,748
2031 - 2035	321,263
2036 - 2040	160,793
Thereafter	157,627
<b>Total</b>	<b>\$ 2,281,913</b>

**Note 9 – Prior Period Adjustments**

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Implementation of GASB 68 and 71:	
Net pension liability (measurement date)	\$ (35,194,080)
Deferred outflows - contributions made during fiscal year 2014	<u>2,502,354</u>
Total prior period adjustment related to GASB 68 and 71	(32,691,726)
2. Errors in prior year receivables and payables	<u>(9,400)</u>
Total	<u>\$ (32,701,126)</u>

**SCOTT COUNTY SCHOOL DISTRICT  
Notes to Financial Statements**

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

Fund	Explanation	Amount
General Fund	Errors in prior year receivables and payables	\$ (16,126)
Other governmental funds	Errors in prior year receivables and payables	6,726
Total		<u>\$ (9,400)</u>

**Note 10 – Fund Reclassification**

A fund reclassification in the amount of \$2,294,749 was needed to report Sixteenth Section Interest Funds, previously reported as Special Revenue Funds in prior years, as General Funds for fiscal year ended June 30, 2015.

**Note 11 – Contingencies**

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

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

**Note 12 – Risk Management**

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

**Participation in Public Entity Risk Pool**

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 77 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

**SCOTT COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

**Note 13 – Alternative School Consortium**

The school district entered into an Alternative School Agreement dated April 12, 1994, creating the consortium. This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the Union Public School District, Forest Municipal School District, Scott County School District, Neshoba County School District, Newton Municipal School District and Newton County School District.

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

The Union Public School District has been designated as the lead school district for the consortium and the operations of the consortium are included in its financial statements.

**Note 14 – Vocational School Consortium**

The school district entered into a Vocational Educational Agreement dated April 16, 1994, creating the Forest Scott County Career and Technology Center. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the Scott County School District and the Forest Municipal School District.

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

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

**SCOTT COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

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

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

**Revenues**

Local sources:	
Tuition from other LEA's within the state:	
Forest Municipal School District	\$ 217,912
Total tuition from other LEA's within the state	<u>217,912</u>
Ad Valorem Taxes	192,369
Total local sources	<u>410,281</u>
State sources	567,841
Federal sources	57,955
Total Revenues	<u>1,036,077</u>

**Expenditures**

Salaries	701,179
Employee benefits	234,772
Purchased property services	104,981
Other purchased services	32,236
Supplies	49,381
Property	52,057
Other	1,400
Total Expenditures	<u>1,176,006</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(139,929)</u>

**Other Financing Sources/Uses:**

Transfers In	139,929
Total Other Financing Sources/Uses	<u>139,929</u>

Net Change in Fund Balance -

Fund Balance:

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

**Note 15 – Effect of Deferred Amounts on Net Position**

The unrestricted net position amount of (\$28,978,486) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$3,722,749 balance of the deferred outflow of resources at June 30, 2015 will be recognized as expenses and decrease unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$28,978,486) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$4,574,744 balance of the deferred inflow of resources at June 30, 2015 will be recognized as revenue and increase unrestricted net position over the next 4 years

**SCOTT COUNTY SCHOOL DISTRICT**  
**Notes to Financial Statements**

**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 Scott County School District evaluated the activity of the district through January 18, 2016, (the date the financial statements were available to be issued), and determined that the following subsequent event has occurred requiring disclosure in the notes to the financial statements:

- On November 10, 2015 the board approved a roofing bid for repairs to Lake Middle School from Dixie Roofing, Inc. in the amount of \$43,975.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Scott County School District**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 3,035,984	\$ 3,100,863	\$ 3,097,124	\$ 64,879	\$ (3,739)
State sources	19,449,492	19,380,042	19,375,735	(69,450)	(4,307)
Federal sources	308,750	327,669	331,976	18,919	4,307
Sixteenth section sources	305,292	501,136	501,136	195,844	-
Total Revenues	23,099,518	23,309,710	23,305,971	210,192	(3,739)
<b>Expenditures:</b>					
Instruction	16,211,225	15,230,484	15,258,814	980,741	(28,330)
Support services	7,984,225	8,894,598	8,879,298	(910,373)	15,300
Sixteenth section	18,800	60,398	60,398	(41,598)	-
Total Expenditures	24,214,250	24,185,480	24,198,510	28,770	(13,030)
Excess (Deficiency) of Revenues over (under) Expenditures	(1,114,732)	(875,770)	(892,539)	238,962	(16,769)
<b>Other Financing Sources (Uses):</b>					
Capital leases issued		402,900	402,900	402,900	-
Operating transfers in	3,915,447	4,064,735	112,907	149,288	(3,951,828)
Operating transfers out	(3,967,922)	(4,130,757)	(178,929)	(162,835)	3,951,828
Total Other Financing Sources (Uses)	(52,475)	336,878	336,878	389,353	-
Net Change in Fund Balances	(1,167,207)	(538,892)	(555,661)	628,315	(16,769)
<b>Fund Balances:</b>					
July 1, 2014, as previously reported	4,444,677	4,424,765	1,883,136	(19,912)	(2,541,629)
Fund reclassification			2,294,749	-	2,294,749
Prior period adjustments		(289,411)	(16,126)	(289,411)	273,285
July 1, 2014, as restated	4,444,677	4,135,354	4,161,759	(309,323)	26,405
June 30, 2015	\$ 3,277,470	\$ 3,596,462	\$ 3,606,098	\$ 318,992	\$ 9,636

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

**Scott County School District**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Vocational 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	\$ 453,715	\$ 410,281	\$ 410,281	\$ (43,434)	\$ -
State sources	653,386	567,841	567,841	(85,545)	-
Federal sources	66,872	57,955	57,955	(8,917)	-
Total Revenues	1,173,973	1,036,077	1,036,077	(137,896)	-
<b>Expenditures:</b>					
Instruction	911,674	800,791	800,791	110,883	-
Support services	384,760	375,215	375,215	9,545	-
Total Expenditures	1,296,434	1,176,006	1,176,006	120,428	-
Excess (Deficiency) of Revenues over (under) Expenditures	(122,461)	(139,929)	(139,929)	(17,468)	-
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	122,461	139,929	139,929	17,468	-
Total Other Financing Sources (Uses)	122,461	139,929	139,929	17,468	-
Net Change in Fund Balances	-	-	-	-	-
<b>Fund Balances:</b>					
July 1, 2014,	-	-	-	-	-
June 30, 2015	\$ -	\$ -	\$ -	\$ -	\$ -

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

**SCOTT COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**  
**Schedule Of The District's Proportionate Share Of The Net Pension Liability**  
**PERS**  
**Last 10 Fiscal Years\***

	<u>2015</u>
District's proportion of the net pension liability	\$ 31,559,239
District's proportionate share of the net pension liability (asset)	0.26001%
District's covered-employee payroll	\$ 15,887,962
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	198.64%
Plan fiduciary net position as a percentage of the total pension liability	67.21%

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

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

The 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.

**SCOTT COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**  
**Schedule of District Contributions**  
**PERS**  
**Last 10 Fiscal Years**

		<u>2015</u>
Contractually required contribution	\$	2,632,839
Contribution in relation to the contractually required contribution		2,632,839
Contribution deficiency (excess)		<u><u>-</u></u>
District's covered-employee payroll		16,716,420
Contributions as a percentage of covered-employee payroll		15.75%

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

**SCOTT COUNTY SCHOOL DISTRICT**  
**Notes to Required Supplementary Information**

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) Changes of benefit terms

There were no changes of benefit terms for the FYE 6/30/2015.

(2) Changes of assumptions

There were no changes of assumptions for the FYE 6/30/2015.

**SUPPLEMENTARY INFORMATION**

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

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 574,874
National school lunch program	10.555	1,609,605
Total child nutrition cluster		<u>2,184,479</u>
Total passed-through Mississippi Department of Education		<u>2,184,479</u>
Passed-through Scott County Board Of Supervisors:		
Schools and roads - grants to states	10.670	214,703
Total passed-through Scott County Board of Supervisors		<u>214,703</u>
<b>Total U.S. Department of Agriculture</b>		<u><u>2,399,182</u></u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	90,186
<b>Total Federal Communications Commission</b>		<u>90,186</u>
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	1,854,175
Career and technical education - basic grants to states	84.048	57,955
Rural education	84.358	82,690
English language acquisition grants	84.365	6,946
Improving teacher quality-State Grants	84.367	299,869
Subtotal		<u>2,301,635</u>
Special education cluster:		
Special education - grants to states	84.027	879,453
Special education - preschool grants	84.173	24,658
Total special education cluster		<u>904,111</u>
Total passed-through Mississippi Department of Education		<u>3,205,746</u>
<b>Total U.S. Department of Education</b>		<u>3,205,746</u>
<b>Total for All Federal Awards</b>		<u><u>\$ 5,695,114</u></u>

**NOTES TO SCHEDULE**

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

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

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 23,198,720	17,802,166	1,032,750	1,785,321	2,578,483
Other	8,116,014	2,813,836	802,295	32,181	4,467,702
<b>Total</b>	<b>\$ 31,314,734</b>	<b>20,616,002</b>	<b>1,835,045</b>	<b>1,817,502</b>	<b>7,046,185</b>
 Total number of students *	 3,951				
 Cost per student	 \$ 7,925	 5,218	 464	 460	 1,783

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

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

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

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

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

**OTHER INFORMATION**

**Scott County School District**  
**Other Information**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**General Fund**  
**Last Four Years**  
**UNAUDITED**

	2015	2014*	2013*	2012*
<b>Revenues:</b>				
Local sources	\$ 3,097,124	\$ 2,870,507	\$ 3,538,868	\$ 3,263,941
State sources	19,375,735	18,833,216	18,115,049	17,803,300
Federal sources	331,976	413,810	214,497	459,601
Sixteenth section sources	501,136	-	22,702	-
<b>Total Revenues</b>	<b>23,305,971</b>	<b>22,117,533</b>	<b>21,891,116</b>	<b>21,526,842</b>
<b>Expenditures:</b>				
Instruction	15,258,814	15,296,712	14,392,312	13,663,699
Support services	8,879,298	8,643,204	7,919,121	7,844,129
Noninstructional services	-	120	35,964	83
Sixteenth section	60,398	-	73,339	58,286
<b>Total Expenditures</b>	<b>24,198,510</b>	<b>23,940,036</b>	<b>22,420,736</b>	<b>21,566,197</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(892,539)	(1,822,503)	(529,620)	(39,355)
<b>Other Financing Sources (Uses):</b>				
Capital leases issued	402,900	-	-	-
Insurance recovery	-	-	12,805	189,419
Operating transfers in	112,907	820,962	128,098	711,653
Other financing sources	-	14,220	-	40
Operating transfers out	(178,929)	(64,451)	(683,481)	(714,305)
Other financing uses	-	(275,493)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>336,878</b>	<b>495,238</b>	<b>(542,578)</b>	<b>186,807</b>
<b>Net Change in Fund Balances</b>	<b>(555,661)</b>	<b>(1,327,265)</b>	<b>(1,072,198)</b>	<b>147,452</b>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	1,883,136	3,189,147	4,259,068	4,128,875
Prior period adjustments	(16,126)	21,254	2,277	(17,259)
Fund balance reclassifications	2,294,749	-	-	-
Beginning of period, as restated	4,161,759	3,210,401	4,261,345	4,111,616
End of Period	\$ 3,606,098	\$ 1,883,136	\$ 3,189,147	\$ 4,259,068

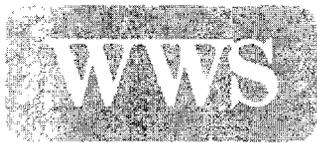
\*SOURCE - PRIOR YEAR AUDIT REPORTS

**Scott County School District**  
**Other Information**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**All Governmental Funds**  
**Last Four Years**  
**UNAUDITED**

	2015	2014*	2013*	2012*
<b>Revenues:</b>				
Local sources	\$ 3,916,955	\$ 3,667,435	\$ 3,931,173	\$ 3,667,668
State sources	20,231,378	19,693,036	18,566,210	18,382,787
Federal sources	5,765,205	4,588,070	4,591,532	4,974,250
Sixteenth section sources	545,293	391,317	538,178	453,188
<b>Total Revenues</b>	<b>30,458,831</b>	<b>28,339,858</b>	<b>27,627,093</b>	<b>27,477,893</b>
<b>Expenditures:</b>				
Instruction	18,255,998	17,445,031	16,995,725	16,314,801
Support services	10,439,776	9,891,233	8,715,274	9,070,822
Noninstructional services	2,516,238	2,298,541	2,339,780	2,265,174
Sixteenth section	102,722	30,599	49,310	41,085
Facilities acquisition and construction	-	-	73,339	83,512
<b>Total Expenditures</b>	<b>31,314,734</b>	<b>29,665,404</b>	<b>28,173,428</b>	<b>27,775,394</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(855,903)	(1,325,546)	(546,335)	(297,501)
<b>Other Financing Sources (Uses):</b>				
Capital leases issued	402,900	-	-	-
Insurance recovery	-	-	12,805	189,419
Operating transfers in	291,836	885,413	811,579	1,425,958
Other financing sources	-	14,220	-	40
Operating transfers out	(291,836)	(885,413)	(811,579)	(1,425,958)
Other financing uses	-	(293,160)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>402,900</b>	<b>(278,940)</b>	<b>12,805</b>	<b>189,459</b>
<b>Net Change in Fund Balances</b>	<b>(453,003)</b>	<b>(1,604,486)</b>	<b>(533,530)</b>	<b>(108,042)</b>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	5,252,295	6,840,005	7,362,882	7,490,427
Prior period adjustments	(9,400)	11,506	2,277	(17,213)
Beginning of period, as restated	5,242,895	6,851,511	7,365,159	7,473,214
Increase (Decrease) in reserve for inventory	(20,315)	5,270	8,376	(2,290)
<b>End of Period</b>	<b>\$ 4,769,577</b>	<b>\$ 5,252,295</b>	<b>\$ 6,840,005</b>	<b>\$ 7,362,882</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**REPORTS ON INTERNAL CONTROL AND COMPLIANCE**



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

James L. Stafford, CPA	Kimberly S. Caskey, CPA
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Superintendent and School Board  
Scott 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 the Scott County School District, as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise Scott County School District's basic financial statements and have issued our report thereon dated January 18, 2016.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. **(Findings 2015-1, and 2015-2)**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Scott 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*

**Scott County School District's Response to Findings**

Scott County School District's response to the findings identified in our audit are described in the accompanying auditee's corrective action plan. Scott County School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**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.

Watkins, Ward and Stafford, PLLC  
Louisville, Mississippi  
January 18, 2016

*Watkins Ward and Stafford, PLLC*



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

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

To the Superintendent and School Board  
Scott County School District

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

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

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Scott 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 Scott County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, Scott 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 Scott 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 Scott 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 Scott County School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questions Costs as **Findings 2015-3, 2015-4, 2015-5**, that we consider to be significant deficiencies.

### Scott County School District's Responses to Findings

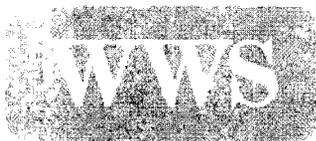
Scott County School District's responses to the findings identified in our audit are described in the accompanying auditee's corrective action plan. Scott County School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Watkins, Ward and Stafford, PLLC  
Louisville, Mississippi  
January 18, 2016

*Watkins Ward and Stafford, PLLC*

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



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

James L. Stafford, CPA	Kimberly S. Caskey, CPA
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**INDEPENDENT AUDITORS' REPORT  
 ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**

To the Superintendent and School Board  
 Scott County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Scott County School District as of and for the year ended June 30, 2015, which collectively comprise Scott County School District's basic financial statements and have issued our report thereon dated January 18, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instances of noncompliance with other state laws and regulations. Our findings and recommendations and your responses are as follows:

1. Depositories Should Be Approved by the School Board

Finding

Section 37-7-333, Miss. Code Ann. (1972), requires the school board to place school district funds in the depository or depositories selected by the school board. This selection should be documented in the board minutes.

During the review of the board minutes, the auditor noted that only one of the five depositories used by the District was approved by the school board.

Noncompliance with Section 37-7-333, Miss. Code Ann. (1972), resulted in the school district having funds on deposit at depositories which were not approved by the school board.

Recommendation

We recommend that the District comply with Section 37-7-333, Miss. Code Ann. (1972), and ensure that all depositories used by the District are approved by the school board.

School District's Response

The District completed this action on July 7, 2015 at the regular board meeting.

2. PERS Employees Form 4B Should Be Filed Within 5 Days of Reemployment and Their Earnings Should Be Limited To The Amount on The Form 4B

Finding

Section 25-11-127, Miss Code Ann. (1972) requires the District to ensure that all PERS retirees complete and file a PERS Form 4B "Certification/Acknowledgement of Reemployment of Retiree" within 5 days of employment and that the applicable retiree not be paid more than is legally allowed.

During our testing of PERS retirees we noted that five (5) PERS retirees that were hired by the district did not file their forms within five days of reemployment. We also noted one (1) PERS retiree earned more than the amount allowed on the PERS Form 4B "Certification/Acknowledgement of Reemployment of Retiree"

Recommendation

We recommend the district comply with Section 25-11-127, Miss Code Ann. (1972) which requires the District to ensure that all PERS retirees complete and file a PERS Form 4B "Certification/Acknowledgement of Reemployment of Retiree" within 5 days of employment and that the applicable retiree not be paid more than is legally allowed.

School District's Response

The District will make sure all PERS retirees complete and file PERS Form 4B within 5 days of employment and are not paid more than is legally allowed.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the findings in this report to insure that corrective action has been taken.

The Scott County School District's responses to the findings included in this report were not audited and, accordingly, we express no opinion on them.

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.

Watkins, Ward and Stafford, PLLC  
Louisville, Mississippi  
January 18, 2016

*Watkins Ward and Stafford, PLLC*

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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

Section I: Summary of Auditors' Results

Financial Statements:

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

Federal Awards:

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

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555	Child Nutrition Cluster
84.027/84.173	Special Education Cluster
84.010	Title I Grants to Local Educational Agencies

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

Section II: Financial Statement Findings

**Significant Deficiency**

**Finding 2015-1 Payroll Expenditures Should Be Supported By Adequate Documentation**

Management is responsible for ensuring that all payroll expenditures made by the district are adequately documented in a timely manner.

During our tests of internal controls related to payroll expenditures we noted the following:

- Board approval for 3 employees could not be located.
- Could not locate board approval of the rate of pay or a supplemental payment for or additional pay for 7 employees.
- Could not reconcile amounts paid to employee to board approved pay rates for 2 employees.
- Noted the payroll clerk, human resource clerk and secretary's at the individual schools have the ability to post, approve and modify their own sick leave in the payroll system. There was no evidence of supervisory approval of the payroll clerk, human resource manager and secretary's sick leave time posted in the payroll system

As a result of improper internal controls for payroll expenditures, payments to nonexempt personnel were processed without adequate documentation and payroll records were not reconciled to the general ledger in a timely manner.

Payment of wages without adequate records could result in employees being improperly compensated. In addition, untimely reconciliation of payroll liabilities to the general ledger could result in inaccurate reporting of the financial statements.

**Recommendation**

We recommend the district maintain board approval for all employees to include their primary job and any supplemental pay. We also recommend that supervisory personnel review any sick leave time posted for the payroll clerk, human resources manger and secretary at the applicable school.

**Significant Deficiency**

**Finding 2015-2 Internal Controls Over Activity Fund Receipts Should Be Strengthened**

As noted in the prior year, controls over activity fund receipts should be strengthened. During our testing of activity fund receipts we noted the following deficiencies:

**Sebastopol Attendance Center**

- We noted personnel were not receipting all deposits. This occurred due to personnel not receipting petty cash taken out for athletic events.
- We noted there was a significant delay between the date the funds were received until the date they were deposited into the bank account on one occasion.
- We noted bookkeeping errors in coding receipts where receipts were not properly coded between activity and student club funds.

**Scott Central Attendance Center**

- We noted six instances where an athletic event form was only signed by one gate worker.
- We noted one occasion where the monthly transmittal form submitted to the central office was not approved by the principal.
- We noted there was a significant delay between the date the funds were received until the date they were deposited into the bank account on eight occasions.

Lake High School

- We noted two occasions where the athletic event form was not signed by the school principal to document approval of the gate receipt.
- We noted there was a significant delay between the date the funds were received until the date they were deposited into the bank account on five occasions.

Proper internal controls were not in place to ensure deposits were made timely, revenue was coded to proper accounts and that documentation was retained to provide assurances that the proper amount of revenue was recorded.

Without proper internal controls being in place to account for all monetary transactions, the district increases the risk of misappropriation of assets and inaccurate recording of revenue.

**Recommendation**

We recommend the district implement internal controls to ensure that all deposits are made daily, revenue is properly reported and documentation is maintained to substantiate all receipts. We also recommend that all school event forms contain the correct information regarding beginning and ending ticket numbers for the applicable event, that tickets be issued sequentially with the gate workers and principal at the individual school verifying and signing the applicable event form.

Section III: Federal Award Findings and Questioned Costs

**Significant Deficiency**

**Finding 2015-3 Internal Controls Surrounding Child Nutrition Expenditures Should Be Strengthened**

Program:Child Nutrition Cluster, Passed-through the Mississippi Department of Education- CFDA 10.553 and 10.555

Compliance requirement:Allowable costs/ cost principles

Management is responsible for establishing internal controls to provide reasonable assurance that federal awards are expended only for allowable activities and that the costs of goods and services charged to federal awards are allowable and in accordance with the applicable cost principles.

As noted in the prior year, controls surrounding child nutrition expenditures should be strengthened. During our test of general disbursements charged to the Child Nutrition Cluster, we noted the following:

- Noted eight occasions where an invoice did not contain the food service supervisors signature of approval.
- Noted three occasions where there was no documentation that the food service supervisor approved authorization of a purchase.

Lack of adequate internal controls surrounding the approval of expenditures of federal funds could result in expenditures being made that are not allowable in the Child Nutrition Program.

**Recommendation**

We recommend the district implement controls and procedures to ensure that all expenditures are properly authorized and not paid until adequate supporting documentation documenting that the purchase has been properly authorized has been obtained.

## **Significant Deficiency**

### **Finding 2015-4 Internal Controls Surrounding Verification Procedures Should Be Strengthened**

Program: Child Nutrition Cluster, Passed-through the Mississippi Department of Education- CFDA 10.553 and 10.555

Compliance requirement: Special Tests and Provisions - Verification

Management is responsible for complying with the requirements of the National School Lunch Program and complete applicable verification of student paying status procedures. Each school year by November 15<sup>th</sup> the local education agency must verify the current free and reduced price eligibility of households selected from a sample of applications that it has approved for free and reduced price meals.

During our test work on the district's verification process we noted that the district tested the appropriate number of applications. However we noted nine (9) instances where a student status (free, reduced or paying) should have been changed after verification procedures but was not changed properly.

Inadequate software design and lack of supervisory review of verification results resulted in an improper determination of student eligibility after verification procedures.

### **Recommendation**

We recommend that the district personnel review verification results after verification procedures are completed and determined that the applicable student status is properly changed if verification procedures determine it should be.

## **Significant Deficiency**

### **Finding 2015-5 Internal Controls over Payroll Disbursements Should Be Strengthened**

Program(s): Special Education Cluster, Passed-through the Mississippi Department of Education- CFDA 84.027 and 84.173

Compliance requirement: Allowable Costs / Cost Principles

Management is responsible for establishing a proper internal control system to ensure proper financial accountability and safeguarding of the federal program assets.

During our tests of controls related to Special Education payroll expenditures, we noted the following deficiencies:

- We noted that two employees prepared pro-rated time keeping records when they were paid 100% out of a single Special Education Cluster cost objective and should have completed a semi-annual certification.

As a result of improper internal controls for payroll expenditures, the allocation for payroll expenditures for an employee of the applicable federal program was processed without adequate documentation.

Payment of wages without adequate records could result in employees being improperly compensated.

### **Recommendation**

We recommend the district maintain adequate records for all employees to support federal program expenditures.

**AUDITEE'S CORRECTIVE ACTION PLAN  
AND  
SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS**

# SCOTT COUNTY SCHOOLS

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Dr. Tony McGee, Superintendent  
Chad Harrison, Assistant Superintendent

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[WWW.SCOTTK12MS.US](http://WWW.SCOTTK12MS.US)

## Finance & Compliance Audit Division

As required by Section\_315(c) of OMB Circular A-133, the Scott County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2015.

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2015-1	<p>a. Name of Contact Person Responsible for Corrective Action:</p> <p>Al Ladner</p> <p>b. Corrective Action Planned:</p> <p>The District will receive board approval for all employees including primary jobs and supplemental pay. The District will make sure supervisory personnel review any sick leave time posted for the payroll clerk, human resource clerk and school secretaries.</p> <p>c. Anticipated Completion Date:</p> <p>June 30, 2016</p>
2015-2	<p>a. Name of Contact Person Responsible for Corrective Action:</p> <p>Al Ladner</p> <p>b. Corrective Action Planned:</p> <p>The District will place internal controls over receipts to make sure they are deposited daily. We will also set up controls and procedures for school events to ensure gate workers record tickets correctly on event forms and principals verify each event form.</p>

- c. Anticipated Completion Date:  
June 30, 2016
  
- 2015-3
  - a. Name of Contact Person Responsible for Corrective Action:  
Vivian McGarrity
  - b. Corrective Action Planned:  
  
The District will implement internal controls and procedures to ensure all expenditures are authorized by Food Service Director and not paid until receiving documentation is present.
  - c. Anticipated Completion Date:  
June 30, 2016
  
- 2015-4
  - a. Name of Contact Person Responsible for Corrective Action:  
Vivian McGarrity
  - b. Corrective Action Planned:  
  
The Food Service Director will review verification results and determine if the student status has been changed correctly.
  - c. Anticipated Completion Date:  
June 30, 2016
  
- 2015-5
  - a. Name of Contact Person Responsible for Corrective Action:  
Annette Varner
  - b. Corrective Action Planned:  
  
The District will maintain adequate records for all employees to support Federal program expenditures.
  - c. Anticipated Completion Date:  
December 31, 2015

# SCOTT COUNTY SCHOOLS

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Dr. Tony McGee, Superintendent  
Chad Harrison, Assistant Superintendent

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## SUMMARY OF PRIOR YEAR AUDIT FINDINGS

### Financial and Compliance Audit Division

As required by Section \_\_\_\_\_,315(b) of OMB Circular A-133, Scott County School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2015:

<u>Finding</u>	<u>Status</u>
2014-1	Corrected
2014-2	Partially Corrected
2014-3	Corrected
2014-4	Not Corrected
2014-5	Corrected
2014-6	Corrected
2014-7	Not Corrected
2014-8	Corrected
2014-9	Partially Corrected
2014-10	Corrected
2014-11	Corrected

Sincerely,

Dr. Tony McGee, Superintendent