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Rankin County School District

Audited Financial Statements
For the Year Ended June 30, 2017

Fortenberry & Ballard, PC
Certified Public Accountants

**Rankin County School District
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Rankin County School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rankin County School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Rankin County School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Rankin County School District, as of June 30, 2017, 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 8 to 19 and 64 to 69, 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 Rankin County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including

comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2017, on our consideration of the Rankin County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Rankin County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rankin County School District's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
December 11, 2017

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Rankin County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2017

The following discussion and analysis of Rankin County School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2017. 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 2017 decreased \$26,047,266, including a prior period adjustment of (\$17,844,348), which represents a 66% decrease from fiscal year 2016. Total net position for 2016 decreased \$6,755,474, including a prior period adjustment of \$293, which represents a 21% decrease from fiscal year 2015.
- General revenues amounted to \$150,316,812 and \$150,646,055, or 84% and 85% of all revenues for fiscal years 2017 and 2016, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$27,966,687, or 16% of total revenues for 2017, and \$27,116,809, or 15% of total revenues for 2016.
- The District had \$186,486,417 and \$184,518,631 in expenses for fiscal years 2017 and 2016; only \$27,966,687 for 2017 and only \$27,116,809 for 2016 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$150,316,812 for 2017 and \$150,646,055 for 2016 were not adequate to provide for these programs.
- Among the major funds, the General Fund had \$146,611,066 in revenues and \$150,814,145 in expenditures for 2017, and \$144,623,171 in revenues and \$145,855,108 in expenditures for 2016. The General Fund's fund balance decreased by \$1,946,623, from 2016 to 2017, and increased by \$1,613,725, including a prior period adjustment of \$293, from 2015 to 2016.
- Capital assets, net of accumulated depreciation, increased by \$5,375,150 for 2017 and increased by \$1,068,613 for 2016. The increase for 2017 was due primarily to additions to construction in progress, building improvements, mobile equipment and furniture and equipment.
- Long-term debt increased by \$90,797,664 for 2017 and increased by \$1,716,649 for 2016. This increase for 2017 was due primarily to the issuance of a general obligation bonds and the refunding of general obligation bonds totaling \$120,145,000. The liability for compensated absences increased by \$113,255 for 2017 and increased by \$37,732 for 2016.

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

Rankin County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2017

financial statements. This report also contains required supplementary information, supplementary information, and other information.

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

A net pension liability results in a liability on the government-wide financial statements but is not reported on governmental funds financial statements.

Rankin County School District
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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, Schedule of the District's Proportionate Share of the Net Pension Liability, and Schedule of District Contributions 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.

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$65,334,697 as of June 30, 2017.

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

Rankin County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2017

assets and the depreciation of capital assets.

Table 1 presents a summary of the District's net position at June 30, 2017 and June 30, 2016.

Table 1
Condensed Statement of Net Position

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Current assets	\$ 35,161,775	29,508,713	19%
Restricted	130,110,432	30,760,894	323%
Capital assets, net	<u>162,356,260</u>	<u>156,981,110</u>	3%
Total assets	<u>327,628,467</u>	<u>217,250,717</u>	51%
Deferred outflows of resources	<u>39,735,790</u>	<u>32,455,631</u>	22%
Current liabilities	1,241,096	1,677,566	(26)%
Long-term debt outstanding	168,791,231	61,516,777	174%
Net pension liability	<u>261,970,488</u>	<u>221,049,800</u>	19%
Total liabilities	<u>432,002,815</u>	<u>284,244,143</u>	52%
Deferred inflows of resources	<u>696,139</u>	<u>4,749,636</u>	(85)%
Net position:			
Net investment in capital assets	112,570,620	106,781,946	5%
Restricted	135,861,306	25,940,924	424%
Unrestricted	<u>(313,766,623)</u>	<u>(172,010,301)</u>	(82)%
Total net position (deficit)	<u>\$ (65,334,697)</u>	<u>(39,287,431)</u>	(66)%

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (313,766,623)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	<u>223,340,969</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ (90,425,654)</u>

Rankin County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2017

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

- Increase in net capital assets in the amount of \$5,375,150.
- The principal retirement of \$11,559,805 of long-term debt.
- The issuance of general obligation bonds totaling \$100,750,000.
- The refunding of general obligation bonds totaling \$19,395,000.
- Inception of leases totaling \$2,872,469.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2017 and June 30, 2016 were \$178,283,499 and \$177,762,864, respectively. The total cost of all programs and services was \$186,486,417 for 2017 and \$184,518,631 for 2016.

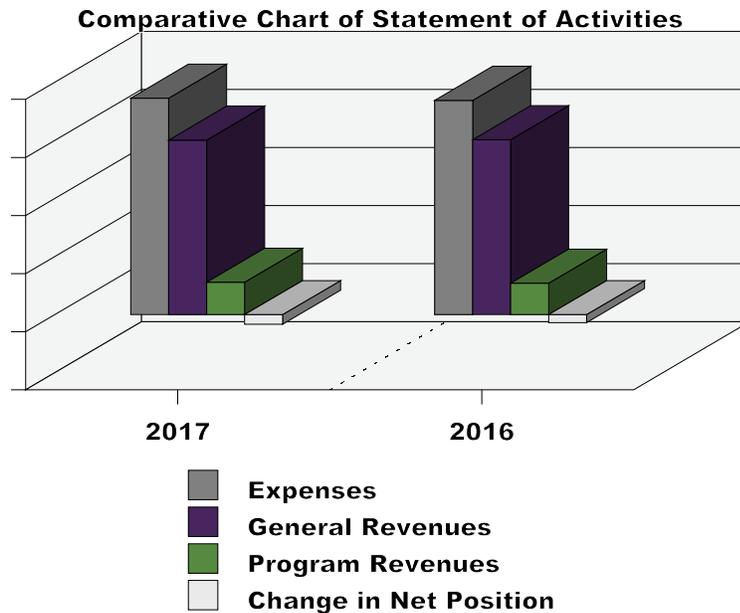
Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2017 and June 30, 2016.

Rankin County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2017

Table 2
Changes in Net Position

	<u>Year Ended June 30, 2017</u>	<u>Year Ended June 30, 2016</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 9,427,747	10,003,960	(6)%
Operating grants and contributions	18,538,940	17,112,849	8%
General Revenues:			
Property taxes	64,948,855	62,892,451	3%
Grants and contributions not restricted	83,438,953	84,527,461	(1)%
Unrestricted investment earnings	199,566	37,773	428%
Decrease in fair market value	(401,073)		N/A
Sixteenth section sources	1,886,232	2,672,360	(29)%
Other	244,279	516,010	(53)%
Total revenues	<u>178,283,499</u>	<u>177,762,864</u>	0%
Expenses:			
Instruction	94,091,445	94,349,218	0%
Support services	51,661,013	52,019,138	(1)%
Non-instructional	10,127,056	9,334,243	8%
Sixteenth section	312,119	276,461	13%
Pension expense	27,121,433	26,477,019	2%
Interest on long-term liabilities	3,173,351	2,062,552	54%
Total expenses	<u>186,486,417</u>	<u>184,518,631</u>	1%
Increase (Decrease) in net position	<u>(8,202,918)</u>	<u>(6,755,767)</u>	(21)%
Net position (deficit), July 1, as previously reported	(39,287,431)	(32,531,957)	(21)%
Prior period adjustment	<u>(17,844,348)</u>	293	(6,090,321)%
Net position (deficit), July 1, as restated	<u>(57,131,779)</u>	<u>(32,531,664)</u>	(76)%
Net Position (deficit), June 30	<u>\$ (65,334,697)</u>	<u>(39,287,431)</u>	(66)%

Rankin County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2017



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.

Table 3
Net Cost of Governmental Activities

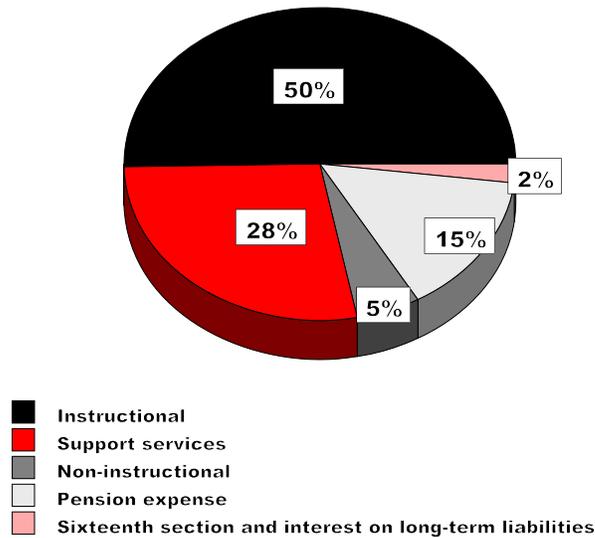
	<u>Total Expenses</u>		Percentage Change
	<u>2017</u>	<u>2016</u>	
Instruction	\$ 94,091,445	94,349,218	0%
Support services	51,661,013	52,019,138	(1)%
Non-instructional	10,127,056	9,334,243	8%
Sixteenth section	312,119	276,461	13%
Pension expense	27,121,433	26,477,019	2%
Interest on long-term liabilities	3,173,351	2,062,552	54%
Total expenses	<u>\$ 186,486,417</u>	<u>184,518,631</u>	<u>1%</u>

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Net (Expense) Revenue

	<u>2017</u>	<u>2016</u>	<u>Percentage Change</u>
Instruction	\$ (81,219,999)	(79,421,179)	(2)%
Support services	(47,170,505)	(48,250,770)	2%
Non-instructional	432,129	(913,841)	147%
Sixteenth section	(266,571)	(276,461)	4%
Pension expense	(27,121,433)	(26,477,019)	(2)%
Interest on long-term liabilities	(3,173,351)	(2,062,552)	(54)%
Total net (expense) revenue	\$ (158,519,730)	(157,401,822)	(1)%

Chart of Expenses per Statement of Activities



- Net cost of governmental activities (\$158,519,730 for 2017 and \$157,401,822 for 2016) was financed by general revenue, which is primarily made up of property taxes (\$64,948,855 for 2017 and \$62,892,451 for 2016) and state and federal revenues (\$83,438,953 for 2017 and \$84,527,461 for 2016). In addition, there was \$1,886,232 and \$2,672,360 in Sixteenth Section sources for 2017 and 2016, respectively.
- Investment earnings amounted to \$199,566 for 2017 and \$37,773 for 2016. There was a decrease in fair market value in the amount of \$401,073 for 2017.

Rankin County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2017

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$164,715,636, an increase of \$105,560,261, which includes an increase in inventory of \$68,894. \$23,057,977 or 14% 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 or assigned to specific purposes within the general fund. The remaining fund balance of \$141,657,659 or 86% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$1,946,623. The fund balance of Other Governmental Funds showed a decrease in the amount of \$6,328,229, which includes an increase of inventory of \$68,894. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I Fund	no increase or decrease
EHA (IDEA) Fund	no increase or decrease
2017 Construction Fund	\$ 113,835,113

BUDGETARY HIGHLIGHTS

Over the course of 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 each major special revenue fund is provided in this report as required supplementary information.

Rankin County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2017, the District's total capital assets were \$247,184,157, including land, construction in progress, school buildings, building improvements, improvements other than buildings, mobile equipment, buses, other school vehicles and furniture and equipment. This amount represents an increase of \$9,809,786 from 2016. Total accumulated depreciation as of June 30, 2017, was \$84,827,897, and total depreciation expense for the year was \$5,235,760, resulting in total net capital assets of \$162,356,260.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Land	\$ 10,316,388	10,316,388	0%
Construction in progress	7,805,736	2,888,919	170%
Buildings	131,014,960	134,837,896	(3)%
Building improvements	7,013,929	3,103,073	126%
Mobile equipment	5,254,808	5,123,410	3%
Furniture and equipment	950,439	711,424	34%
Total	<u>\$ 162,356,260</u>	<u>156,981,110</u>	<u>3%</u>

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

Debt Administration. At June 30, 2017, the District had \$152,185,212 in outstanding long-term debt, of which \$10,868,585 is due within one year. The liability for compensated absences increased \$113,255 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 100,750,000		N/A
General obligation refunding bonds payable	19,195,000	25,370,000	(24)%
Three mill notes payable	27,500,000	31,150,000	(12)%
Obligations under leases payable	3,576,074	3,703,410	(3)%
Compensated absences payable	1,164,138	1,050,883	11%
Total	<u>\$ 152,185,212</u>	<u>61,274,293</u>	<u>148%</u>

Rankin County School District
Management's Discussion and Analysis
For the Year Ended June 30, 2017

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

CURRENT ISSUES

The Rankin 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.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, is to be implemented in fiscal year 6/30/2018. At this point, we do not have enough information to judge the impact this will have on this school district.

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

Enrollment for the 2016 - 2017 year increased to 19,111 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

RANKIN COUNTY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
Assets:	
Cash and cash equivalents	\$ 30,463,724
Due from other governments	4,083,492
Accrued interest receivable	60,440
Other receivables, net	111,343
Inventories	433,276
Prepaid items	9,500
Restricted assets	130,110,432
Capital assets, non-depreciable:	
Land	10,316,388
Construction in progress	7,805,736
Capital assets, net of accumulated depreciation:	
Buildings	131,014,960
Building improvements	7,013,929
Mobile equipment	5,254,808
Furniture and equipment	950,439
Total Assets	<u>327,628,467</u>
Deferred Outflows of Resources	
Deferred charges on debt refunding	410,132
Deferred outflows - pensions	39,325,658
Total Deferred Outflows of Resources	<u>39,735,790</u>
Liabilities:	
Accounts payable and accrued liabilities	517,425
Unearned revenue	39,146
Interest payable on long-term liabilities	684,525
Long-term liabilities, due within one year:	
Capital related liabilities	8,250,000
Bond premium, capital related	255,834
Non-capital related liabilities	2,618,585
Long-term liabilities, due beyond one year:	
Capital related liabilities	139,195,000
Bond premium, capital related	16,350,185
Non-capital related liabilities	2,121,627
Net pension liability	261,970,488
Total Liabilities	<u>432,002,815</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	696,139
Total Deferred Inflows of Resources	<u>696,139</u>
Net Position	
Net Investment in Capital Assets	112,570,620
Restricted For:	
Expendable:	
School-based Activities	4,631,996
Debt service	2,067,162
Contractual commitments	113,876,993
Unemployment benefits	453,971
Forestry improvements	205,936
Nonexpendable:	
Sixteenth section	14,625,248
Unrestricted	(313,766,623)
Total Net Position (Deficit)	<u>\$ (65,334,697)</u>

The accompanying notes are an integral part of this statement.

RANKIN COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental Activities				
Instruction	94,091,445	4,239,189	8,632,257	(81,219,999)
Support services	51,661,013	--	4,490,508	(47,170,505)
Noninstructional services	10,127,056	5,143,010	5,416,175	432,129
Sixteenth section	312,119	45,548	--	(266,571)
Pension expense	27,121,433	--	--	(27,121,433)
Interest on long-term liabilities	3,173,351	--	--	(3,173,351)
Total Governmental Activities	<u>\$ 186,486,417</u>	<u>\$ 9,427,747</u>	<u>\$ 18,538,940</u>	<u>(158,519,730)</u>
General Revenues:				
Taxes:				
General purpose levies				55,251,837
Debt purpose levies				9,697,018
Unrestricted grants and contributions:				
State				82,926,298
Federal				512,655
Unrestricted investment earnings				199,566
Decrease in fair market value				(401,073)
Sixteenth section sources				1,886,232
Other				244,279
Total General Revenues				<u>150,316,812</u>
Change in Net Position				<u>(8,202,918)</u>
Net Position (Deficit) - Beginning, as previously reported				(39,287,431)
Prior Period Adjustment				<u>(17,844,348)</u>
Net Position (Deficit) - Beginning, as restated				(57,131,779)
Net Position (Deficit) - Ending				<u>\$ (65,334,697)</u>

The accompanying notes are an integral part of this statement.

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RANKIN COUNTY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2017

	General Fund	Title I Fund
	<u> </u>	<u> </u>
Assets:		
Cash and cash equivalents	\$ 23,158,332	\$ --
Cash with fiscal agents	--	--
Investments	--	--
Due from other governments	2,137,449	468,617
Accrued interest receivable	--	--
Other receivables, net	111,343	--
Due from other funds	1,612,537	--
Inventories	--	--
Prepaid items	--	--
Total Assets	<u>\$ 27,019,661</u>	<u>\$ 468,617</u>
Liabilities and Fund Balances:		
Liabilities:		
Accounts payable and accrued liabilities	\$ 517,425	\$ --
Due to other funds	3,992	468,617
Unearned revenue	39,146	--
Total Liabilities	<u>560,563</u>	<u>468,617</u>
Fund Balances:		
Nonspendable:		
Inventory	--	--
Prepaid items	--	--
Permanent fund principal	--	--
Restricted:		
Unemployment benefits	--	--
Forestry improvements	--	--
Contractual commitments	--	--
Debt service	--	--
Grant activities	--	--
Food service	--	--
Assigned:		
Capital projects - athletic facilities	500,077	--
School activities	1,582,514	--
Special education	164,361	--
Alternative school	112,224	--
Gathering grounds local	--	--
Forestry improvements	--	--
Extended day enrichment program	598,030	--
Self insurance - computers	443,915	--
R-PAL audit learning programs	--	--
Other purposes	--	--
Unassigned	<u>23,057,977</u>	<u>--</u>
Total Fund Balances	<u>26,459,098</u>	<u>--</u>
Total Liabilities and Fund Balances	<u>\$ 27,019,661</u>	<u>\$ 468,617</u>

The accompanying notes are an integral part of this statement.

EHA (IDEA) Fund	2017 Construction Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 58,319	\$ 7,773,184	\$ 30,989,835
--	5,670,633	--	5,670,633
--	108,084,415	15,829,273	123,913,688
640,350	--	766,068	4,012,484
--	21,746	38,694	60,440
--	--	--	111,343
--	--	--	1,612,537
--	--	433,276	433,276
--	--	9,500	9,500
<u>\$ 640,350</u>	<u>\$ 113,835,113</u>	<u>\$ 24,849,995</u>	<u>\$ 166,813,736</u>
\$ --	\$ --	\$ --	\$ 517,425
640,350	--	428,570	1,541,529
--	--	--	39,146
<u>640,350</u>	<u>--</u>	<u>428,570</u>	<u>2,098,100</u>
--	--	433,276	433,276
--	--	9,500	9,500
--	--	14,625,248	14,625,248
--	--	453,971	453,971
--	--	205,936	205,936
--	113,835,113	41,880	113,876,993
--	--	2,751,687	2,751,687
--	--	141,178	141,178
--	--	4,048,042	4,048,042
--	--	--	500,077
--	--	--	1,582,514
--	--	--	164,361
--	--	--	112,224
--	--	22,206	22,206
--	--	221	221
--	--	--	598,030
--	--	--	443,915
--	--	19,649	19,649
--	--	1,668,631	1,668,631
--	--	--	23,057,977
<u>--</u>	<u>113,835,113</u>	<u>24,421,425</u>	<u>164,715,636</u>
<u>\$ 640,350</u>	<u>\$ 113,835,113</u>	<u>\$ 24,849,995</u>	<u>\$ 166,813,736</u>

RANKIN COUNTY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total fund balances for governmental funds	\$ 164,715,636
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:	
Capital assets used in governmental activities are not reported in the funds.	162,356,260
Liabilities due in one year are not recognized in the funds.	(11,124,419)
Payables for bond principal which are not due in the current period are not reported in the funds.	(115,465,000)
Payables for leases which are not due in the current period are not reported in the funds.	(957,489)
Payables for bond interest which are not due in the current period are not reported in the funds.	(684,525)
Payables for notes which are not due in the current period are not reported in the funds.	(23,730,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(1,164,138)
Deferred amount on refunding is accounted for in SNP as a Deferred Outflow of Resources but not in the funds.	410,132
Recognition of the School District's proportionate share of the net pension liability is not reported in the funds.	(261,970,488)
Deferred Inflows of Resources related to the pension plan are not reported in the funds.	(696,139)
Deferred Outflows of Resources related to the pension plan are not reported in the funds.	39,325,658
Bond premiums are amortized in the SNP but not in the funds.	(16,350,185)
Net position of governmental activities	<u>\$ (65,334,697)</u>

The accompanying notes are an integral part of this statement.

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RANKIN COUNTY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Title I Fund
	<u> </u>	<u> </u>
Revenues:		
Local sources	\$ 62,304,070	\$ --
Decrease in fair market value	--	--
Intermediate sources	12,770	--
State sources	82,493,705	--
Federal sources	516,201	2,521,413
Sixteenth section sources	1,284,320	--
Total Revenues	<u>146,611,066</u>	<u>2,521,413</u>
Expenditures:		
Instruction	89,517,813	1,902,906
Support services	51,794,804	535,600
Noninstructional services	2,025,982	54,195
Sixteenth section	256,869	--
Facilities acquisition and construction	4,195,639	--
Debt service:		
Principal	2,999,805	--
Interest	23,233	--
Other	--	--
Total Expenditures	<u>150,814,145</u>	<u>2,492,701</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,203,079)</u>	<u>28,712</u>
Other Financing Sources (Uses):		
Bonds issued	--	--
Inception of leases	2,872,469	--
Insurance recovery	1,132,991	--
Refunding bonds issued	--	--
Premiums on bonds, notes, and refunding debt issued	--	--
Payment to refunded bond escrow agent	--	--
Sale of transportation equipment	14,132	--
Sale of other property	6,435	--
Transfers in	533,531	--
Other financing sources	--	--
Transfers out	(2,303,102)	(28,712)
Total Other Financing Sources (Uses)	<u>2,256,456</u>	<u>(28,712)</u>
Net Change in Fund Balances	(1,946,623)	--
Fund Balances:		
July 1, 2016	28,405,721	--
Increase (decrease) in inventory	--	--
June 30, 2017	<u>\$ 26,459,098</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

EHA (IDEA) Fund	2017 Construction Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 21,750	\$ 12,733,609	\$ 75,059,429
--	(240,636)	(160,437)	(401,073)
--	--	--	12,770
--	--	5,348,505	87,842,210
3,501,499	--	7,087,267	13,626,380
--	--	817,480	2,101,800
<u>3,501,499</u>	<u>(218,886)</u>	<u>25,826,424</u>	<u>178,241,516</u>
1,670,585	--	7,990,980	101,082,284
1,657,331	--	2,930,727	56,918,462
--	--	8,053,802	10,133,979
--	--	55,250	312,119
--	41,684	4,939,863	9,177,186
--	--	8,560,000	11,559,805
--	--	1,678,940	1,702,173
--	934,509	446,265	1,380,774
<u>3,327,916</u>	<u>976,193</u>	<u>34,655,827</u>	<u>192,266,782</u>
<u>173,583</u>	<u>(1,195,079)</u>	<u>(8,829,403)</u>	<u>(14,025,266)</u>
--	100,750,000	--	100,750,000
--	--	--	2,872,469
--	--	--	1,132,991
--	--	19,395,000	19,395,000
--	14,280,192	2,114,130	16,394,322
--	--	(21,070,132)	(21,070,132)
--	--	--	14,132
--	--	626	7,061
--	--	2,434,481	2,968,012
--	--	20,790	20,790
(173,583)	--	(462,615)	(2,968,012)
<u>(173,583)</u>	<u>115,030,192</u>	<u>2,432,280</u>	<u>119,516,633</u>
--	113,835,113	(6,397,123)	105,491,367
--	--	30,749,654	59,155,375
--	--	68,894	68,894
<u>\$ --</u>	<u>\$ 113,835,113</u>	<u>\$ 24,421,425</u>	<u>\$ 164,715,636</u>

RANKIN COUNTY SCHOOL DISTRICT

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017*

Net change in fund balances - total governmental funds	\$ 105,491,367
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	10,690,312
The depreciation of capital assets used in governmental activities is not reported in the funds.	(5,235,760)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(81,522)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	4,910,000
Repayment of lease principal is an expenditure in the funds but is not an expense in the SOA.	2,999,805
Repayment of notes principal is an expenditure in the funds but is not an expense in the SOA.	3,650,000
(Increase) decrease in accrued interest from beginning of period to end of period.	(121,191)
Change in inventory affects fund balance in the funds but affects expense in the SOA.	68,894
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(113,255)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(120,145,000)
Bond premiums are reported in the funds, capitalized and amortized in the SOA.	(16,363,535)
Inception of leases do not provide revenue in the SOA, but are reported as current resources in the funds.	(2,872,469)
Payment of refunded debt is an other financing uses but not in the SOA.	21,070,132
Pension contributions made after the measurement date but in current FY were de-expended and reduced NPL.	14,970,737
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	<u>(27,121,433)</u>
Change in net position of governmental activities	<u>\$ (8,202,918)</u>

The accompanying notes are an integral part of this statement.

RANKIN COUNTY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2017

	Private-purpose Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 166,049	\$ 6,680,487
Due from other funds	--	3,992
Total Assets	<u>\$ 166,049</u>	<u>\$ 6,684,479</u>
Liabilities		
Accounts payable and accrued liabilities		\$ 5,977,392
Due to student clubs		632,087
Due to other funds		75,000
Total Liabilities		<u>\$ 6,684,479</u>
Net Position		
Reserved for endowments	\$ 166,049	
Total Net Position	<u>\$ 166,049</u>	

The accompanying notes are an integral part of this statement.

RANKIN COUNTY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Private-purpose Trust Funds
Additions	
Investment Income	\$ 65
Contributions and donations from private sources	9,525
Total Additions	<u>9,590</u>
Deductions	
Scholarship awards	1,000
Dues fees	2,260
Total Deductions	<u>3,260</u>
Change in Net Position	<u>6,330</u>
Net Position	
July 1, 2016	159,719
June 30, 2017	<u>\$ 166,049</u>

The accompanying notes are an integral part of this statement.

Rankin County School District

Notes to the Financial Statements
For the Year Ended June 30, 2017

Rankin County School District

Notes to the Financial Statements
For the Year Ended June 30, 2017

Note 1 - Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Rankin County School District

Notes to the Financial Statements
For the Year Ended June 30, 2017

2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

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.

Title I Fund - This is a special revenue fund that accounts for the federal revenue received and expenditures incurred related to the Title I grants to local educational agencies program.

EHA (IDEA) Fund - This fund is used to account for the federal revenues and expenditures of the Special Education Program.

2017 Construction Fund - This is a capital projects fund that accounts for the acquisition, construction, or renovation of major capital facilities.

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

The District's fiduciary funds include the following:

Rankin County School District

Notes to the Financial Statements
For the Year Ended June 30, 2017

Student Club Funds - These funds are used to account for the transaction of student clubs.

Payroll Clearing Fund - This fund is used as a clearing account for payroll and payroll related transactions.

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

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

Rankin County School District

Notes to the Financial Statements
For the Year Ended June 30, 2017

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.

Rankin County School District

Notes to the Financial Statements
For the Year Ended June 30, 2017

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

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems*, 2014, issued by the U.S. Department of Education.

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The school 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.

Rankin County School District

Notes to the Financial Statements
For the Year Ended June 30, 2017

(1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

Rankin County School District

Notes to the Financial Statements
For the Year Ended June 30, 2017

5. Restricted Assets

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

Rankin County School District

Notes to the Financial Statements
For the Year Ended June 30, 2017

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

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

7. Deferred outflows/inflows of resources

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

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

See Note 12 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).

Rankin County School District

Notes to the Financial Statements
For the Year Ended June 30, 2017

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

9. Long-term Liabilities and Bond Discounts/ Premiums

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

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

10. Pensions

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

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:

Rankin County School District

Notes to the Financial Statements
For the Year Ended June 30, 2017

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. 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 Business Manager pursuant to authorization established by the policy adopted by the school district.

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

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

The goal of the District is to maintain an unassigned fund balance in the District Maintenance Fund of at least 10% at fiscal year of its total revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District will develop a restoration plan to achieve and maintain

Rankin County School District

Notes to the Financial Statements
For the Year Ended June 30, 2017

the minimum fund balance.

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

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

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$30,989,835 and \$6,846,536, respectively.

Rankin County School District

Notes to the Financial Statements
For the Year Ended June 30, 2017

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. 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. 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, 2017, none of the district's bank balance of \$45,342,787 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$5,670,633.

Investments

As of June 30, 2017, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
Federal Home Loan Bank	AA+	1 to 5	\$ 69,596,236
Federal Home Loan Mortgage		1 to 5	20,443,425
Farmer MAC		1 to 5	1,003,660
Federal National Mortgage	AA+	1 to 5	12,975,620
Mississippi Development Bank Special Obligation Bonds	AA	1 to 5	956,407
U.S. Treasury		Less than 1 year	2,998,150
Federal Farm Credit Bank	AA+	1 to 5	15,940,190
Total			<u>\$ 123,913,688</u>

The district categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The district has the following recurring fair value measurements as of June 30, 2017: Level 1 type of investments of \$123,913,688 are valued using quoted market prices (Level 1 inputs)

Rankin County School District

Notes to the Financial Statements
For the Year Ended June 30, 2017

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

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

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

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

Note 3 - Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I Fund	\$ 468,617
	EHA (IDEA) Fund	640,350
	Fiduciary Funds	75,000
	Other Governmental Funds	428,570
Fiduciary Funds	General Fund	3,992
Total		<u>\$ 1,616,529</u>

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

Rankin County School District

Notes to the Financial Statements
For the Year Ended June 30, 2017

B. Inter-fund Transfers

Transfers In	Transfers Out	Amount
General Fund	Title I Fund	\$ 28,712
	EHA (IDEA) Fund	42,204
	Other Governmental Funds	462,615
Other Governmental Funds	General Fund	2,303,102
	EHA (IDEA) Fund	131,379
Total		<u>\$ 2,968,012</u>

Transfers represent indirect costs from special revenue funds to the General Fund and operational transfers from the General Fund to other governmental funds. Also represented are operational transfers between other governmental funds.

Note 4 - Restricted Assets

The restricted assets represent the cash and investment balances, totaling \$425,912 and \$15,829,273, respectively, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

The restricted assets represent the unexpended note proceeds in the form of cash balance of \$41,880 of the Three Mill 12 Year Fund which is legally restricted and may not be used for purposes that support the district's programs.

The restricted assets represent the unexpended bond proceeds in the form of cash, cash with fiscal agents and investment balances of \$58,319, \$5,670,633, and \$108,084,415, respectively, of the 2017 Construction Fund which is legally restricted and may not be used for purposes that support the district's programs.

Rankin County School District

Notes to the Financial Statements
For the Year Ended June 30, 2017

Note 5 - Capital Assets

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

	Balance 7-1-2016	Additions	Deletions	Completed Construction	Adjustments	Balance 6-30-2017
<u>Non-depreciable capital assets:</u>						
Land	\$ 10,316,388					10,316,388
Construction in progress	2,888,919	5,950,256		(1,033,439)		7,805,736
Total non-depreciable capital assets	13,205,307	5,950,256	0	(1,033,439)	0	18,122,124
<u>Depreciable capital assets:</u>						
Buildings	194,986,991				2,120	194,989,111
Building improvements	5,011,283	3,226,930		1,033,439		9,271,652
Mobile equipment	17,857,233	988,830	625,797			18,220,266
Furniture and equipment	6,313,557	524,296	256,849			6,581,004
Total depreciable capital assets	224,169,064	4,740,056	882,646	1,033,439	2,120	229,062,033
<u>Less accumulated depreciation for:</u>						
Buildings	60,149,095	3,825,056				63,974,151
Building improvements	1,908,210	349,513				2,257,723
Mobile equipment	12,733,823	782,714	551,079			12,965,458
Furniture and equipment	5,602,133	278,477	250,045			5,630,565
Total accumulated depreciation	80,393,261	5,235,760	801,124	0	0	84,827,897
Total depreciable capital assets, net	143,775,803	(495,704)	81,522	1,033,439	2,120	144,234,136
Governmental activities capital assets, net	\$ 156,981,110	5,454,552	81,522	0	2,120	162,356,260

Adjustments were made to properly present buildings at year end.

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 2,979,818
Support services	1,761,109
Non-instructional	494,833
Total depreciation expense	\$ 5,235,760

Rankin County School District

Notes to the Financial Statements
For the Year Ended June 30, 2017

The details of construction-in-progress are as follows:

Governmental Activities:		Spent to June 30, 2017	Remaining Commitments
Brandon High School Football Stadium	\$	7,641,469	166,593
Pisgah High School Baseball Pressbox		17,441	23,986
McLaurin Football Concessions		105,142	145,000
Highland Bluff Special Education Playground		1,373	132,000
Brandon Middle School Addition		28,872	
Northwest High School - New School		11,439	
Total	\$	<u>7,805,736</u>	<u>467,579</u>

Construction projects included in governmental activities are funded with general obligation bonds proceeds and district maintenance funds.

Note 6 - Long-term liabilities

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

	Balance 7-1-2016	Additions	Reductions	Refunding	Balance 6-30-2017	Amounts due within one year
A. General obligation bonds payable	\$	100,750,000			100,750,000	
General obligation refunding bonds payable	25,370,000	19,395,000	4,910,000	(20,660,000)	19,195,000	4,480,000
B. Three mill notes payable	31,150,000		3,650,000		27,500,000	3,770,000
C. Obligations under lease payable	3,703,410	2,872,469	2,999,805		3,576,074	2,618,585
D. Compensated absences payable	1,050,883	113,255			1,164,138	
Total	\$ 61,274,293	<u>123,130,724</u>	<u>11,559,805</u>	<u>(20,660,000)</u>	<u>152,185,212</u>	<u>10,868,585</u>

	Balance 7-1-2016	Additions	Change	Balance 6-30-2017	Amounts due within one year
Premiums on bonds	\$ 0	16,394,322	476	16,393,846	225,523
Premiums on notes	242,484	0	30,311	212,173	30,311
Total	\$ 242,484	<u>16,394,322</u>	<u>30,787</u>	<u>16,606,019</u>	<u>255,834</u>

A. General obligation bonds payable

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

Rankin County School District

Notes to the Financial Statements For the Year Ended June 30, 2017

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation refunding bonds, Series 2007	3.5-5.0%	10-01-06	10-01-20	\$ 43,370,000	0
General obligation refunding bonds, Series 2016	2.0-5.00%	10-01-16	10-01-20	19,395,000	19,195,000
General obligation bonds, Series 2017	3.5-5.00%	06-20-17	06-20-42	100,750,000	100,750,000
				<u>\$ 163,515,000</u>	<u>119,945,000</u>

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

1. General obligation bond issue of 2007:

This debt was refunded during the fiscal year and retired from the general obligation refunding bond, series 2016 proceeds.

2. General obligation refunding bond issue of 2016:

Year Ending June 30	Principal	Interest	Total
2018	\$ 4,480,000	847,750	5,327,750
2019	4,690,000	618,500	5,308,500
2020	4,905,000	378,625	5,283,625
2021	5,120,000	128,000	5,248,000
Total	\$ <u>19,195,000</u>	<u>1,972,875</u>	<u>21,167,875</u>

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

3. General obligation bond issue of 2017:

Year Ending June 30	Principal	Interest	Total
2018	\$ 0	4,686,000	4,686,000
2019	0	4,686,000	4,686,000
2020	0	4,686,000	4,686,000
2021	2,625,000	4,620,375	7,245,375
2022	2,760,000	4,485,750	7,245,750
2023 - 2027	16,085,000	20,153,375	36,238,375
2028 - 2032	20,630,000	15,606,900	36,236,900
2033 - 2037	25,825,000	10,407,725	36,232,725
2038 - 2042	32,825,000	3,407,325	36,232,325
Total	\$ <u>100,750,000</u>	<u>72,739,450</u>	<u>173,489,450</u>

Rankin County School District

Notes to the Financial Statements For the Year Ended June 30, 2017

On June 20, 2017, the district issued \$100,750,000 in General Obligation Bonds that will be used for construction projects at various schools within the school district. The premium on the bond amounted to \$14,280,192.

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

Total general obligation bond payable payments for all issues:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 4,480,000	5,533,750	10,013,750
2019	4,690,000	5,304,500	9,994,500
2020	4,905,000	5,064,625	9,969,625
2021	7,745,000	4,748,375	12,493,375
2022	2,760,000	4,485,750	7,245,750
2023 - 2027	16,085,000	20,153,375	36,238,375
2028 - 2032	20,630,000	15,606,900	36,236,900
2033 - 2037	25,825,000	10,407,725	36,232,725
2038 - 2042	<u>32,825,000</u>	<u>3,407,325</u>	<u>36,232,325</u>
Total	\$ <u>119,945,000</u>	<u>74,712,325</u>	<u>194,657,325</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2017, the amount of outstanding bonded indebtedness was equal to 9% of property assessments as of October 1, 2016.

Advance Refunding

On October 1, 2016, the district issued \$19,395,000 in General Obligation Bonds with an average interest rate of 2.0-5.00% to advance refund \$20,660,000 of outstanding General Obligation Bonds, Series 2007 with an average interest rate of 3.5-5.0%. The net proceeds of \$21,070,132 after payments of \$293,536 for issuance costs, less the underwriter's discount of \$145,462, and the premium on the bond of \$2,114,130 were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements on the General Obligation Bonds, Series 2007.

As a result, the General Obligation Bonds, Series 2007 are considered to be defeased and the liabilities for those bonds have been removed from long-term liabilities.

The district advance refunded the General Obligation Bonds, Series 2007 totaling \$20,660,000 to reduce its total debt service payments over the remaining four years of the debt by approximately \$1,733,388 and to realize an economic gain of \$1,688,982.

Rankin County School District

Notes to the Financial Statements
For the Year Ended June 30, 2017

B. Three mill notes payable

Debt currently outstanding is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
2006 Three Mill Note	3.5-4.42%	08-01-06	08-01-17	\$ 17,000,000	840,000
2008 Three Mill Note	3.0-4.0%	06-01-08	06-01-18	4,500,000	525,000
2009 Three Mill Note	2.5-3.25%	05-06-09	04-01-19	5,700,000	1,325,000
2014 Three Mill Note	2.25-3.0%	08-01-13	08-01-23	12,000,000	8,730,000
2015 Three Mill Refunding Note	2.0-5.0%	06-30-15	08-01-26	9,405,000	9,240,000
2016 Three Mill Note	1.85%	06-01-15	06-01-27	8,000,000	6,840,000
Total				\$ <u>56,605,000</u>	<u>27,500,000</u>

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

1. Three mill note payable issued in 2006:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ <u>840,000</u>	<u>16,800</u>	<u>856,800</u>

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

2. Three mill note payable issued in 2008:

This note is secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi Department of Education pursuant to the Mississippi Education Enhancement Funds (EEF Fund), Section 37-61-33(2)(d), Miss. Code Ann. (1972). The EEF funds pledged is to secure the 2009 through 2018 maturities in the approximate amounts of \$534,448 each year.

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ <u>525,000</u>	<u>17,718</u>	<u>542,718</u>

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

Rankin County School District

Notes to the Financial Statements
For the Year Ended June 30, 2017

3. Three mill note payable issued in 2009:

Year Ending June 30	Principal	Interest	Total
2018	\$ 650,000	41,436	691,436
2019	<u>675,000</u>	<u>21,938</u>	<u>696,938</u>
Total	<u>\$ 1,325,000</u>	<u>63,374</u>	<u>1,388,374</u>

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

4. Three mill note payable issued in 2013:

Year Ending June 30	Principal	Interest	Total
2018	\$ 1,150,000	235,875	1,385,875
2019	1,180,000	206,750	1,386,750
2020	1,210,000	173,850	1,383,850
2021	1,245,000	137,025	1,382,025
2022	1,280,000	99,150	1,379,150
2023 - 2024	<u>2,665,000</u>	<u>80,472</u>	<u>2,745,472</u>
Total	<u>\$ 8,730,000</u>	<u>933,122</u>	<u>9,663,122</u>

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

5. Three mill refunding note payable issued in 2015:

Year Ending June 30	Principal	Interest	Total
2018	\$ 0	347,450	347,450
2019	895,000	338,500	1,233,500
2020	920,000	320,350	1,240,350
2021	940,000	297,050	1,237,050
2022	970,000	273,250	1,243,250
2023 - 2027	<u>5,515,000</u>	<u>662,475</u>	<u>6,177,475</u>
Total	<u>\$ 9,240,000</u>	<u>2,239,075</u>	<u>11,479,075</u>

On June 30, 2015, the district issued \$9,405,000 in Three Mill Note, Series 2015B with an average interest rate of 2.0-5.0% to partially refund \$9,405,000 of outstanding Three Mill Note, Series 2006 with an average interest rate of 3.5-4.2%. The outstanding principal balance of the Three Mill Note, Series 2006 was \$840,000.

Rankin County School District

Notes to the Financial Statements For the Year Ended June 30, 2017

This debt will be retired from the Three Mill Notes 2006 Fund.

6. Three mill note payable issued in 2015:

Year Ending June 30	Principal	Interest	Total
2018	\$ 605,000	158,860	763,860
2019	620,000	147,668	767,668
2020	635,000	136,074	771,074
2021	655,000	124,072	779,072
2022	675,000	110,318	785,318
2023 - 2027	<u>3,650,000</u>	<u>291,055</u>	<u>3,941,055</u>
Total	<u>\$ 6,840,000</u>	<u>968,047</u>	<u>7,808,047</u>

This debt will be retired from the Three Mill 12 Year 2016 Fund.

Total three mill notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2018	\$ 3,770,000	818,139	4,588,139
2019	3,370,000	714,856	4,084,856
2020	2,765,000	630,274	3,395,274
2021	2,840,000	558,147	3,398,147
2022	2,925,000	482,718	3,407,718
2023 - 2027	<u>11,830,000</u>	<u>1,034,002</u>	<u>12,864,002</u>
Total	<u>\$ 27,500,000</u>	<u>4,238,136</u>	<u>31,738,136</u>

C. Obligations under Leases

The school district has entered into lease agreements as lessee for financing the acquisition of computers at a cost of \$998,000, \$4,468,176, and \$2,872,469, respectively.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Master Lease - 2014 Computers	1.78%	08-26-13	09-25-16	1,308,000	0
Master Lease - 2015 Computers	1.58%	09-04-14	09-05-17	998,000	169,607
Master Lease - 2016 Computers	2.31%	08-05-15	08-05-17	4,468,176	1,491,488
Master Lease - 2017 Computers	0.00%	08-15-16	08-15-18	<u>2,872,469</u>	<u>1,914,979</u>
Total				<u>\$ 9,646,645</u>	<u>3,576,074</u>

Rankin County School District

Notes to the Financial Statements
For the Year Ended June 30, 2017

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

1. Master Lease - 2014 Computers:

This debt was paid off and retired from the District Maintenance Fund.

2. Master Lease - 2015 Computers:

Year Ending June 30	Principal	Interest	Total
2018	\$ 169,607	1,339	170,946

This debt will be retired from the District Maintenance Fund.

3. Master Lease - 2016 Computers:

Year Ending June 30	Principal	Interest	Total
2018	\$ 1,491,488	7,308	1,498,796

This debt will be retired from the District Maintenance Fund.

4. Master Lease - 2017 Computers:

Year Ending June 30	Principal	Interest	Total
2018	\$ 957,490	0	957,490
2019	957,489	0	957,489
Total	\$ 1,914,979	0	1,914,979

This debt will be retired from the District Maintenance Fund.

Total obligation under leases payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2018	\$ 2,618,585	8,647	2,627,232
2019	957,489	0	957,489
Total	\$ 3,576,074	8,647	3,584,721

Rankin County School District

Notes to the Financial Statements
For the Year Ended June 30, 2017

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

F. Compensated absences payable

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

Note 7 - Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

Rankin County School District

Notes to the Financial Statements For the Year Ended June 30, 2017

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, 2017 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2017, 2016, and 2015, were \$14,970,737, \$14,776,908, and \$14,085,657, respectively, which equaled the required contributions for each year.

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

At June 30, 2017, the school district reported a liability of \$261,970,488 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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. The school district's proportionate share used to calculate the June 30, 2017 net pension liability was 1.466595% percent, which was based on a measurement date of June 30, 2016. This was an increase of 0.036595% percent from its proportionate share used to calculate the June 30, 2016 net pension liability, which was based on a measurement date of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$27,121,433. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,770,121	\$
Net difference between projected and actual earnings on pension plan investments	4,376,832	
Changes of assumptions		696,139
Changes in proportion and differences between District contributions and proportionate share of contributions	9,207,968	
District contributions subsequent to the measurement date	14,970,737	
Total	\$ 39,325,658	\$ 696,139

Rankin County School District

Notes to the Financial Statements For the Year Ended June 30, 2017

\$14,970,737 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:		
2017	\$	7,700,545
2018		7,192,932
2019		4,777,429
2020		3,987,876
Total	\$	<u>23,658,782</u>

Actuarial assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.75 – 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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:

Rankin County School District

Notes to the Financial Statements For the Year Ended June 30, 2017

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

Discount rate. The discount rate used to measure the total pension liability was 7.75 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 the current employer contribution 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 members. 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 7.75 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 (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ <u>335,904,900</u>	\$ <u>261,970,488</u>	\$ <u>200,628,891</u>

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

Note 8 - Risk Management

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

Rankin County School District

Notes to the Financial Statements
For the Year Ended June 30, 2017

Note 9 - 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 10 - Other Commitments

Commitments under construction contracts are described in Note 5.

Note 11 - Prior Period Adjustments

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

Exhibit B - Statement of Activities

<u>Explanation(s)</u>		<u>Amount</u>
1. Adjustments were made to properly present buildings at year end.	\$	2,120
2. To adjust net pension liability and its components due to the method of recognition from one year to the other.		(17,846,468)
Total	\$	<u>(17,844,348)</u>

Note 12 - Effect of Deferred Amounts on Net Position

The net investment in capital assets net position amount of \$112,570,620 includes the effect of deferring the recognition of expenses resulting from a deferred outflow from advance refunding of school district debt. The \$410,132, balance of the deferred outflow of resources at June 30, 2017 will be recognized as an expense and decrease the net investment in capital assets net position.

The unrestricted net position amount of (\$313,766,623) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$39,325,658 balance of deferred outflow of resources, at June 30, 2017 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

Rankin County School District

Notes to the Financial Statements
For the Year Ended June 30, 2017

The unrestricted net position amount of (\$313,766,623) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$696,139 balance of deferred inflow of resources, at June 30, 2017 will be recognized as a revenue and will increase the unrestricted net position over the next 4 years.

Note 13 - Insurance Loss Recoveries

The Rankin County School District received \$1,132,991 in insurance loss recoveries related to data breach, vehicle and storm damage during the 2016-2017 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as support services.

Note 14 - 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
2018	\$ 996,180
2019	970,745
2020	960,245
2021	921,899
2022	886,219
2023 - 2027	4,307,476
2028 - 2032	3,427,933
2033 - 2037	2,389,141
2038 - 2042	1,238,309
2043 - 2047	562,627
2048 - 2052	229,546
2053 - 2057	114,900
2058 - 2062	108,750
2063 - 2067	108,750
2068 - 2072	108,750
2073 - 2077	108,750
2078 - 2082	108,750
2083 - 2087	79,250
Total	\$ 17,628,220

Rankin County School District

Notes to the Financial Statements
For the Year Ended June 30, 2017

Note 15 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Rankin County School District evaluated the activity of the district through the date the financial statements were available to be issued, and determined the following subsequent events have occurred requiring disclosure in the notes to the financial statement:

On August 16, 2017, the school district executed a \$625,650 lease agreement with Trustmark National Bank to purchase Dell Computer Equipment. It has an interest rate of 1.8% and will mature on May 16, 2020.

On August 15, 2017, the school district executed a \$2,880,000 lease agreement with Apple Inc to purchase 3,200 MacBook Air computers. It has a 0% interest rate and will mature on August 15, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

RANKIN COUNTY SCHOOL DISTRICT

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2017

Exhibit 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 60,904,190	61,300,657	62,304,070	396,467	1,003,413
Intermediate sources	-	-	12,770	-	12,770
State sources	85,035,299	85,035,299	82,493,705	-	(2,541,594)
Federal sources	649,000	649,000	516,201	-	(132,799)
Sixteenth section sources	1,422,925	1,423,925	1,284,320	1,000	(139,605)
Total Revenues	<u>148,011,414</u>	<u>148,408,881</u>	<u>146,611,066</u>	<u>397,467</u>	<u>(1,797,815)</u>
Expenditures:					
Instruction	90,164,941	90,504,247	89,517,813	(339,306)	986,434
Support services	53,121,007	53,128,067	51,794,804	(7,060)	1,333,263
Noninstructional services	2,124,310	2,124,310	2,025,982	-	98,328
Sixteenth section	251,409	259,409	256,869	(8,000)	2,540
Facilities acquisition and construction	4,964,500	5,210,831	4,195,639	(246,331)	1,015,192
Debt service:					
Principal	3,023,037	3,023,037	2,999,805	-	23,232
Interest	-	-	23,233	-	(23,233)
Total Expenditures	<u>153,649,204</u>	<u>154,249,901</u>	<u>150,814,145</u>	<u>(600,697)</u>	<u>3,435,756</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,637,790)</u>	<u>(5,841,020)</u>	<u>(4,203,079)</u>	<u>(203,230)</u>	<u>1,637,941</u>
Other Financing Sources (Uses):					
Inception of leases	2,872,470	2,872,470	2,872,469	-	(1)
Insurance recovery	10,000	10,000	1,132,991	-	1,122,991
Sale of transportation equipment	-	-	14,132	-	14,132
Sale of other property	5,000	5,000	6,435	-	1,435
Transfers in	15,772,104	15,783,012	533,531	10,908	(15,249,481)
Transfers out	(19,016,954)	(19,016,954)	(2,303,102)	-	16,713,852
Total Other Financing Sources (Uses)	<u>(357,380)</u>	<u>(346,472)</u>	<u>2,256,456</u>	<u>10,908</u>	<u>2,602,928</u>
Net Change in Fund Balances	<u>(5,995,170)</u>	<u>(6,187,492)</u>	<u>(1,946,623)</u>	<u>(192,322)</u>	<u>4,240,869</u>
Fund Balances:					
July 1, 2016	<u>27,530,400</u>	<u>28,405,773</u>	<u>28,405,721</u>	<u>875,373</u>	<u>(52)</u>
June 30, 2017	<u>\$ 21,535,230</u>	<u>22,218,281</u>	<u>26,459,098</u>	<u>683,051</u>	<u>4,240,817</u>

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

RANKIN COUNTY SCHOOL DISTRICT

Budgetary Comparison Schedule

Title I Fund

For the Year Ended June 30, 2017

Exhibit 2

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 2,683,515	3,283,895	2,521,413	600,380	(762,482)
Total Revenues	<u>2,683,515</u>	<u>3,283,895</u>	<u>2,521,413</u>	<u>600,380</u>	<u>(762,482)</u>
Expenditures:					
Instruction	1,825,283	2,268,193	1,902,906	(442,910)	365,287
Support services	695,495	832,513	535,600	(137,018)	296,913
Noninstructional services	132,737	148,189	54,195	(15,452)	93,994
Total Expenditures	<u>2,653,515</u>	<u>3,248,895</u>	<u>2,492,701</u>	<u>(595,380)</u>	<u>756,194</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>30,000</u>	<u>35,000</u>	<u>28,712</u>	<u>5,000</u>	<u>(6,288)</u>
Other Financing Sources (Uses):					
Transfers out	(30,000)	(35,000)	(28,712)	(5,000)	6,288
Total Other Financing Sources (Uses)	<u>(30,000)</u>	<u>(35,000)</u>	<u>(28,712)</u>	<u>(5,000)</u>	<u>6,288</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
July 1, 2016	-	-	-	-	-
June 30, 2017	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

RANKIN COUNTY SCHOOL DISTRICT
 Budgetary Comparison Schedule
 EHA (IDEA) Fund
 For the Year Ended June 30, 2017

Exhibit 3

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 3,557,985	3,822,444	3,501,499	264,459	(320,945)
Total Revenues	<u>3,557,985</u>	<u>3,822,444</u>	<u>3,501,499</u>	<u>264,459</u>	<u>(320,945)</u>
Expenditures:					
Instruction	1,652,574	1,786,060	1,670,585	(133,486)	115,475
Support services	<u>1,627,411</u>	<u>1,752,090</u>	<u>1,657,331</u>	<u>(124,679)</u>	<u>94,759</u>
Total Expenditures	<u>3,279,985</u>	<u>3,538,150</u>	<u>3,327,916</u>	<u>(258,165)</u>	<u>210,234</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>278,000</u>	<u>284,294</u>	<u>173,583</u>	<u>6,294</u>	<u>(110,711)</u>
Other Financing Sources (Uses):					
Operating transfers out	<u>(278,000)</u>	<u>(284,294)</u>	<u>(173,583)</u>	<u>(6,294)</u>	<u>110,711</u>
Total Other Financing Sources (Uses)	<u>(278,000)</u>	<u>(284,294)</u>	<u>(173,583)</u>	<u>(6,294)</u>	<u>110,711</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
July 1, 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2017	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

Rankin County School District

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

PERS

Last 10 Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	\$ 261,970,488	221,049,800	172,657,564
District's proportionate share of the net pension liability (asset)	1.466595%	1.430000%	1.422435%
District's covered payroll	93,821,638	89,432,743	86,918,146
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	279.22%	247.17%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.70%	67.21%

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

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

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 14,970,737	14,776,908	14,085,657
Contributions in relation to the contractually required contribution	14,970,737	14,776,908	14,085,657
Contribution deficiency (excess)	\$ <u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
District's covered payroll	95,052,298	93,821,638	89,432,743
Contributions as a percentage of employee payroll	15.75%	15.75%	15.75%

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

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

Rankin County School District

Notes to the Required Supplementary Information
For the Year Ended June 30, 2017

Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) Changes in benefit provisions

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

(2) Changes of assumptions

2015:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

2016:

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

SUPPLEMENTARY INFORMATION

RANKIN COUNTY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

Federal Grantor/ Pass-through Grantor/ Program Title/	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U. S. Department of Agriculture</u>		
Direct program:		
Healthier US School Challenge: Smarter Lunchrooms	10.543	\$ 13,000
Subtotal		<u>13,000</u>
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	662,103
National School Lunch Program	10.555	4,757,521
Total Child Nutrition Cluster		<u>5,419,624</u>
Total passed-through the Mississippi Department of Education		<u>5,419,624</u>
Total U.S. Department of Agriculture		<u>5,432,624</u>
 <u>U. S. Department of Defense</u>		
Direct program:		
Reserve Officers' Training Corps	12.xxx	500,590
Total U.S. Department of Defense		<u>500,590</u>
 <u>U. S. Department of Education</u>		
Passed-through Mississippi Board for Community and Junior Colleges:		
Adult Education - Basic Grants to States	84.002	265,869
Total passed-through the Mississippi Board for Community and Junior Colleges		<u>265,869</u>
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	2,535,656
Career and Technical Education - Basic Grants to States	84.048	140,525
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	28,110
English Language Acquisition State Grant	84.365	51,409
Supporting Effective Instruction State Grant	84.367	532,096
Subtotal		<u>3,287,796</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	3,501,499
Special Education - Preschool Grants	84.173	106,305
Total Special Education Cluster		<u>3,607,804</u>
Total passed-through the Mississippi Department of Education		<u>6,895,600</u>
Total U.S. Department of Education		<u>7,161,469</u>
 <u>U. S. Department of Health and Human Services</u>		
Passed-through the Mississippi Department of Mental Health:		
Developmental Disabilities Basic Support and Advocacy Grants	93.630	19,041
Total passed-through the Mississippi Department of Mental Health		<u>19,041</u>
Passed-through the Mississippi Department of Education:		
Medical Assistance Program	93.778	73,989
Total passed-through the Mississippi Department of Education		<u>73,989</u>
Total U.S. Department of Health and Human Services		<u>93,030</u>
 Total for All Federal Awards		 \$ <u>13,187,713</u>

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

RANKIN COUNTY SCHOOL DISTRICT

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2017

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits \$	131,649,881	102,465,248	2,905,974	11,466,063	14,812,596
Other	60,616,901	17,602,342	1,356,413	239,266	41,418,880
Total	<u>\$ 192,266,782</u>	<u>120,067,590</u>	<u>4,262,387</u>	<u>11,705,329</u>	<u>56,231,476</u>
Total number of students *	<u>19,111</u>				
Cost per student \$	<u>10,060</u>	<u>6,283</u>	<u>223</u>	<u>612</u>	<u>2,942</u>

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

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

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

School Administration - includes expenditures for the following functions: 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

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

Rankin County School District

Notes to the Supplementary Information
For the Year Ended June 30, 2017

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements; however, the expenditures include transfers out. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Indirect Cost Rate

The school district did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Other Items

The pass-through entities did not assign identifying numbers to the school district.

Donated commodities of \$769,844 are included in the National School Lunch Program.

Schedule of Instructional Administrative and Other Expenditures - Governmental Funds

(1) Basis of Accounting

This schedule is presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements.

OTHER INFORMATION

RANKIN COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
 All Governmental Funds
 Last Four Years

"UNAUDITED"

	2017	2016*	2015*	2014*
Revenues:				
Local sources	\$ 75,059,429	72,992,143	68,474,722	66,823,574
Decrease in fair market value	(401,073)	-	-	-
Intermediate sources	12,770	-	-	-
State sources	87,842,210	87,493,204	84,430,711	81,246,573
Federal sources	13,626,380	14,089,148	13,856,341	14,260,182
Sixteenth section sources	2,101,800	2,672,359	2,070,794	2,847,305
Total Revenues	<u>178,241,516</u>	<u>177,246,854</u>	<u>168,832,568</u>	<u>165,177,634</u>
Expenditures:				
Instruction	101,082,284	100,268,147	96,041,426	91,677,230
Support services	56,918,462	56,042,978	54,171,534	54,003,123
Noninstructional services	10,133,979	10,353,805	9,382,442	9,754,280
Sixteenth section	312,119	276,461	269,493	321,739
Facilities acquisition and construction	9,177,186	4,700,452	3,497,219	1,516,312
Debt service:				
Principal	11,559,805	10,751,527	11,259,230	11,009,155
Interest	1,702,173	2,081,297	2,732,757	2,738,460
Other	1,380,774	202,632	13,128	263,819
Total Expenditures	<u>192,266,782</u>	<u>184,677,299</u>	<u>177,367,229</u>	<u>171,284,118</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(14,025,266)</u>	<u>(7,430,445)</u>	<u>(8,534,661)</u>	<u>(6,106,484)</u>
Other Financing Sources (Uses):				
Bonds and notes issued	100,750,000	8,000,000	-	12,000,000
Inception of capital leases	2,872,469	4,468,176	998,000	1,308,000
Insurance recovery	1,132,991	513,713	945,875	3,871,413
Refunding bond issued	19,395,000	-	-	-
Premiums on bonds, notes, and refunding debt issued	16,394,322	-	-	303,106
Payment to refunded bond escrow agent	(21,070,132)	-	-	-
Sale of transportation equipment	14,132	761	-	-
Sale of other property	7,061	4,724	1,165	4,195
Operating transfers in	2,968,012	2,828,055	3,056,904	4,699,470
Other financing sources	20,790	-	-	-
Operating transfers out	(2,968,012)	(2,828,055)	(3,056,904)	(4,699,470)
Other financing uses	-	(3,188)	(65,790)	-
Total Other Financing Sources (Uses)	<u>119,516,633</u>	<u>12,984,186</u>	<u>1,879,250</u>	<u>17,486,714</u>
Net Change in Fund Balances	105,491,367	5,553,741	(6,655,411)	11,380,230
Fund Balances:				
July 1, as previously reported	59,155,375	53,557,597	60,210,841	48,760,716
Prior period adjustment	-	293	-	-
July 1, as restated	<u>59,155,375</u>	<u>53,557,890</u>	<u>60,210,841</u>	<u>48,760,716</u>
Increase (decrease) in inventory	68,894	43,744	2,167	69,895
June 30,	<u>\$ 164,715,636</u>	<u>59,155,375</u>	<u>53,557,597</u>	<u>60,210,841</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

RANKIN COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
 General Fund
 Last Four Years

"UNAUDITED"

	2017	2016*	2015*	2014*
Revenues:				
Local sources	\$ 62,304,070	60,514,703	56,585,684	52,997,646
Intermediate sources	12,770			
State sources	82,493,705	82,218,827	79,253,028	77,374,089
Federal sources	516,201	422,047	417,561	349,035
Sixteenth section sources	1,284,320	1,467,594	1,125,291	-
Total Revenues	<u>146,611,066</u>	<u>144,623,171</u>	<u>137,381,564</u>	<u>130,720,770</u>
Expenditures:				
Instruction	89,517,813	89,105,166	83,758,448	80,604,346
Support services	51,794,804	51,590,866	49,677,621	48,315,015
Noninstructional services	2,025,982	2,188,311	2,102,246	2,157,895
Sixteenth section	256,869	226,087	206,770	-
Facilities acquisition and construction	4,195,639	166,709	22,363	77,500
Debt service:				
Principal	2,999,805	2,546,527	1,119,230	1,069,155
Interest	23,233	31,442	38,316	46,012
Total Expenditures	<u>150,814,145</u>	<u>145,855,108</u>	<u>136,924,994</u>	<u>132,269,923</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(4,203,079)</u>	<u>(1,231,937)</u>	<u>456,570</u>	<u>(1,549,153)</u>
Other Financing Sources (Uses):				
Inception of leases	2,872,469	4,468,176	998,000	1,308,000
Insurance recovery	1,132,991	513,713	945,875	3,871,413
Sale of transportation equipment	14,132	761	-	-
Sale of other property	6,435	4,724	1,165	4,195
Operating transfers in	533,531	335,138	339,543	1,216,709
Operating transfers out	(2,303,102)	(2,473,955)	(2,493,355)	(2,373,288)
Other financing uses	-	(3,188)	(65,790)	-
Total Other Financing Sources (Uses)	<u>2,256,456</u>	<u>2,845,369</u>	<u>(274,562)</u>	<u>4,027,029</u>
Net Change in Fund Balances	(1,946,623)	1,613,432	182,008	2,477,876
Fund Balances:				
July 1, as previously reported	28,405,721	26,791,996	25,104,608	22,626,732
Prior period adjustments	-	293	1,505,380	-
July 1, as restated	<u>28,405,721</u>	<u>26,792,289</u>	<u>26,609,988</u>	<u>22,626,732</u>
June 30,	<u>\$ 26,459,098</u>	<u>28,405,721</u>	<u>26,791,996</u>	<u>25,104,608</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Rankin County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rankin County School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Rankin County School District's basic financial statements, and have issued our report thereon dated December 11, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency Finding 2017-001.

Compliance and Other Matters

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

Rankin County School District's Response to Finding

The Rankin County School District's response to the finding identified in our audit is described in the accompanying auditee's corrective action plan. The Rankin County School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
December 11, 2017

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Superintendent and School Board
Rankin County School District

Report on Compliance for Each Major Federal Program

We have audited Rankin County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Rankin County School District's major federal programs for the year ended June 30, 2017. The Rankin County School District's major federal program is identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Rankin County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

Opinion on Each Major Federal Program

In our opinion, the Rankin County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Rankin County School District is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Rankin County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

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

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
December 11, 2017

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Rankin County School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Rankin County School District as of and for the year ended June 30, 2017, which collectively comprise Rankin County School District's basic financial statements and have issued our report thereon dated December 11, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed the following instance of noncompliance. The noncompliance is reported in finding number 2 below.

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following instances of noncompliance with other state laws and regulations.

Finding 1:

Criteria:

Section 29-3-121, Miss. Code Ann. (1972) provides, “it shall be the duty of the Superintendent of each school district to make or cause to be made annual lists of the children enrolled in the schools of such district and who reside in such district, which lists shall be based upon the end of the first month enrollment required to be reported to the State Department of Education for the then current school year. The lists shall be made separately as to the townships in which such children reside. Such lists shall be filed by the Superintendent of the custodial school district on or before December 31 of each year, and the lists shall be used in making the division of the available funds of each township during the ensuing calendar year.”

Condition:

During our test of sixteenth section revenue, we noted that all educable child lists were sent after December 31.

Cause:

The cause of the above condition is primarily due to management not prioritizing adherence with state compliance.

Effect:

Noncompliance with Section 29-3-121, Miss. Code Ann. (1972), could result in the District not receiving their pro rata share of sixteenth section revenue from other school districts or having to repay other districts.

Recommendation:

We recommend that the District implement policies and procedures to ensure all lists are prepared and sent to appropriate school districts by December 31 of each year, in accordance with Section 29-3-121, Miss. Code Ann. (1972).

Response:

The letters were mailed to the other districts on January 17, 2017. This issue has been addressed and the deadline date of December 31st has been explained and emphasized to the employees responsible for this area. In the future, all student lists will be sent to the other applicable districts by December 31st.

Finding 2:

Criteria:

Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), states the local school board may authorize each school to issue procurement cards provided by the Department of Finance and Administration under the provisions of Section 31-7-9(1)(c) for the use of teachers and necessary support personnel in making instructional supply fund expenditures under this section, consistent with the regulations of the Mississippi Department of Finance and Administration pursuant to Section 31-7-9. Such procurement cards shall be issued at the beginning of the school year and shall be issued in equal amounts per teacher determined by the total number of qualifying personnel and the current state appropriation for classroom supplies with the Education

Enhancement Fund. Such cards will expire on a pre-determined date at the end of each school year.

Condition:

During the course of the audit, we noted that procurement cards were issued to five federally funded teachers in the district.

Cause:

The cause of the above condition is primarily due to lack of controls to ensure compliance with state requirements.

Effect:

The district was not in compliance with Miss. Code Section 37-61-33(3)(a)(iii).

Recommendation:

The District should comply with Miss. Code Section 37-61-33(3)(a)(iii).

Response:

This error occurred because the district's EEF coordinator was obtaining the lists of teachers from the schools instead of from the district's payroll office. In the future, the list of non-federal funded classroom teachers to receive EEF cards will be obtained from the district's payroll office.

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 ensure that corrective action has been taken.

The Rankin 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.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
December 11, 2017

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Rankin County School District

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unmodified.
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? Yes.
3. Noncompliance material to financial statements noted? No.

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported.
5. Type of auditor's report issued on compliance for major programs: Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No.
7. Identification of major programs:

CFDA Numbers:	Name of Federal Program or Cluster
84.027 & 84.173	Special Education Cluster

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000.
9. Auditee qualified as low-risk auditee? Yes.

Section II: Financial Statements Findings

The results of our tests disclosed the following finding related to the financial statements that are required to be reported by *Government Auditing Standards*.

Significant Deficiency

Finding 2017-001:

Criteria:

A sound system of internal controls ensures strong financial accountability and safeguarding of assets.

Condition:

We noted 4 of 8 athletic gates receipts at one of the high schools were not deposited timely.

Cause:

Controls were not in place to ensure deposits are made within three business days.

Effect:

Untimely deposits increase the risk of unauthorized or inappropriate use of these funds.

Recommendation:

Procedures should be communicated to employees responsible for deposit of funds regarding timeliness of deposits.

Section III: Federal Awards Findings and Questioned Costs

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

AUDITEE'S CORRECTIVE ACTION PLAN



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AUDITEE'S CORRECTIVE ACTION PLAN

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), the Rankin County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Cost for the year ended June 30, 2017:

Finding

2017-001

Corrective Action Plan Details

a. Name of Contact Person Responsible for Corrective Action

Name: Kevin Brantley
Title: Chief Financial Officer
Phone Number: 601-825-5590

b. Corrective Action Planned:

The Chief Financial Officer has sent an email to the school's principal and bookkeeper informing them of this finding and instructing them to deposit gate receipts timely as required by the school district's policy.

c. Anticipated Completion Date:

The Chief Financial Officer sent an email to the school's principal and bookkeeper on January 11, 2018. Once the 2017 audited financial statements are received, the Chief Financial Officer will send another email with a copy of the actual audit finding to the school's principal and bookkeeper.

Dr. Sue Townsend
Superintendent of Education