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ENTERPRISE SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2015

# ENTERPRISE SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT



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## INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
Enterprise 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 Enterprise School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Enterprise 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 our opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

### ***Opinion***

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 Enterprise School District, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 4-12 and 40-44 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 Enterprise School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2016, on our consideration of the Enterprise School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Enterprise School District's internal control over financial reporting and compliance.

McKenzie CPA, PLLC  
Brandon, Mississippi  
November 30, 2016

*McKenzie CPA, PLLC*

## MANAGEMENT'S DISCUSSION AND ANALYSIS



ENTERPRISE SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2015

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

## **FINANCIAL HIGHLIGHTS**

- Total net position for 2015 decreased \$7,827,015, including a prior period adjustment of (\$8,840,060) due primarily to the recording of the net pension liability, which represents a 78% decrease from fiscal year 2014. Total net position for 2014 increased \$847,829, including a prior period adjustment of (\$3,075), which represents a 10% increase from fiscal year 2013.
- General revenues amounted to \$7,746,663 and \$7,371,300, or 85% and 84% of all revenues for fiscal years 2015 and 2014, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,397,367, or 15% of total revenues for 2015, and \$1,395,876, or 16% of total revenues for 2014.
- The District had \$8,130,985 and \$7,916,272 in expenses for fiscal years 2015 and 2014; only \$1,397,367 for 2015 and \$1,395,876 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$7,746,663 for 2015 and \$7,371,300 for 2014 were adequate to provide for these programs.
- Among major funds, the General Fund had \$7,600,093 in revenues and \$6,522,597 in expenditures for 2015, and \$7,009,834 in revenues and \$6,471,457 in expenditures in 2014. The General Fund's fund balance increased by \$2,621,318 from 2014 to 2015, including a fund reclassification of \$1,721,659 and a prior period adjustment of (\$968), and increased by \$552,931 from 2013 to 2014, including a prior period adjustment of \$41,617.
- Capital assets, net of accumulated depreciation, increased by \$1,154,844 for 2015 and decreased by \$162,685 for 2014. The increase for 2015 was due primarily to construction in progress and the purchase of a bus.
- Long-term debt, including the liability for compensated absences, increased by \$2,310,960 for 2015 and there was no change for 2014. The increase for 2015 was due primarily to new debt that was used to finance the construction in progress. The liability for compensated absences decreased by \$9,040 for 2015 and increased by \$2,978 for 2014.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

### **Government-wide Financial Statements**

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

The Statement of Net Position presents information on all the District's non-fiduciary assets, deferred outflows of resources, liabilities, deferred inflows of resources, with the difference reported as "net

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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.

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

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Management's Discussion and Analysis  
For the Year Ended June 30, 2015

two statements:

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

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

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

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

### **Notes to the financial statements**

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

### **Required Supplementary Information**

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

### **Supplementary Information**

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

### **Other Information**

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### **Net position**

Net position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources assets and deferred outflows of resources by \$1,828,337 as of June 30, 2015.

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

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

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

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

	<b>June 30, 2015</b>	<b>June 30, 2014</b>	<b>Percentage Change</b>
Current assets	\$ 7,788,110	\$ 5,397,097	44.30 %
Restricted assets	2,167,435	1,879,354	15.33 %
Capital assets, net	7,306,047	6,151,203	18.77 %
<b>Total assets</b>	<b>17,261,592</b>	<b>13,427,654</b>	<b>28.55 %</b>
 <b>Deferred outflows of resources</b>	 <b>1,153,211</b>	 <b>-</b>	 <b>N/A %</b>
 Current liabilities	 449,709	 21,355	 2,005.87 %
Long-term debt outstanding	6,061,907	3,750,947	61.61 %
Net pension liability	8,799,323	-	N/A %
<b>Total liabilities</b>	<b>15,310,939</b>	<b>3,772,302</b>	<b>305.88 %</b>
 <b>Deferred inflows of resources</b>	 <b>1,275,527</b>	 <b>-</b>	 <b>N/A %</b>
 <b>Net position:</b>			
Net investment in capital assets	1,286,047	2,451,203	(47.53) %
Restricted	3,948,203	4,205,127	(6.11) %
Unrestricted	(3,405,913)	2,999,022	(213.57) %
<b>Total net position (deficit)</b>	<b>\$ 1,828,337</b>	<b>\$ 9,655,352</b>	<b>(81.06) %</b>

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (3,405,913)
Less unrestricted deficit in net position resulting from recognition of the net pension Liability	8,921,639
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 5,515,726</u>

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 \$1,154,844.
- Implementation of GASB Statement No. 68 which required the recording of a liability for the proportionate share of the school district as well as the recording of deferred outflows/inflows of resources on the Statement of Net Position. Due to the implementation of GASB 68, the net pension liability increased the liabilities on the financials by \$8,799,323.
- The addition of \$2,320,000 of long-term debt.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$9,144,030 and \$8,767,176, respectively. The total cost of all programs and services was \$8,130,985 for 2015 and \$7,916,272 for 2014.

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

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

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

	Year Ended June 30, 2015	Year Ended June 30, 2014	Percentage Change
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 633,504	\$ 512,398	23.64 %
Operating grants and contributions	763,863	883,478	(13.54) %
General revenues:			
Property taxes	2,738,997	2,530,489	8.24 %
Grants and contributions not restricted	4,552,607	4,414,871	3.12 %
Investment earnings	71,045	79,163	(10.25) %
Sixteenth section sources	352,729	321,116	9.84 %
Other	31,285	25,661	21.92 %
<b>Total revenues</b>	<b>9,144,030</b>	<b>8,767,176</b>	<b>4.30 %</b>
<b>Expenses:</b>			
Instruction	4,495,741	4,963,088	(9.42) %
Support services	2,305,225	2,292,681	0.55 %
Non-instructional	441,667	600,068	(26.40) %
Sixteenth section	37,065	45,017	(17.66) %
Pension expense	708,037	-	N/A %
Interest on long-term liabilities	143,250	15,418	829.11 %
<b>Total expenses</b>	<b>8,130,985</b>	<b>7,916,272</b>	<b>2.71 %</b>
<b>Increase (Decrease) in net position</b>	<b>1,013,045</b>	<b>850,904</b>	<b>19.06 %</b>
<b>Net Position, July 1, as previously reported</b>	<b>9,655,352</b>	<b>8,807,523</b>	9.63 %
<b>Prior Period Adjustment</b>	<b>(8,840,060)</b>	<b>(3,075)</b>	(287,381.63) %
<b>Net Position, July 1, as restated</b>	<b>815,292</b>	<b>8,804,448</b>	<b>(90.74) %</b>
<b>Net Position (deficit), June 30</b>	<b>\$ 1,828,337</b>	<b>\$ 9,655,352</b>	<b>(81.06) %</b>

**Governmental activities**

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

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

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

	<b>Total Expenses</b>		<b>Percentage</b>
	<b>2015</b>	<b>2014</b>	<b>Change</b>
Instruction	\$ 4,495,741	\$ 4,963,088	(9.42) %
Support services	2,305,225	2,292,681	0.55 %
Non-instructional	441,667	600,068	(26.40) %
Sixteenth section	37,065	45,017	(17.66) %
Pension Expense	708,037	-	N/A %
Interest on long-term liabilities	143,250	15,418	829.11 %
<b>Total expenses</b>	<b>\$ 8,130,985</b>	<b>\$ 7,916,272</b>	<b>2.71 %</b>

  

	<b>Net (Expense) Revenue</b>		<b>Percentage</b>
	<b>2015</b>	<b>2014</b>	<b>Change</b>
Instruction	\$ (3,816,247)	\$ (4,277,097)	(10.77) %
Support services	(2,137,071)	(2,084,928)	2.50 %
Non-instructional	52,753	(143,597)	(136.74) %
Sixteenth section	18,234	644	2,731.37 %
Pension Expense	(708,037)	-	N/A %
Interest on long-term liabilities	(143,250)	(15,418)	(829.11) %
<b>Total net (expense) revenue</b>	<b>\$ (6,733,618)</b>	<b>\$ (6,520,396)</b>	<b>3.27 %</b>

- Net cost of governmental activities (\$6,733,618 for 2015 and \$6,520,396 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$2,738,997 for 2015 and \$2,530,489 for 2014) and state and federal revenues (\$4,552,607 for 2015 and \$4,414,871 for 2014). In addition, there was \$352,729 and \$321,116 in Sixteenth Section sources for 2015 and 2014, respectively.
- Investment earnings amounted to \$71,045 for 2015 and \$79,163 for 2014.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$9,543,161, an increase of \$2,288,065, which includes a prior period adjustment of (\$759) and a decrease in inventory of \$1,401. \$3,536,373, or 37% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$6,006,788, or 63% is either non-spendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

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The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$2,621,318, which includes a fund reclassification of \$1,721,659 and a prior period adjustment of (\$968). The fund balance of Other Governmental Funds showed a decrease in the amount of \$1,527,251, which includes a fund reclassification of (\$1,721,659) and a prior period adjustment of \$209. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>		<u>Increase (Decrease)</u>
Building fund 2015 Renovations Fund	\$	1,115,015
QZAB Fund	\$	78,893

## BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District. Budget revisions during the fiscal year were routine in nature and were insignificant when compared with total revenues and expenditures of the District.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and major special revenue funds is provided in this report as required supplementary information.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2015, the District's total capital assets were \$10,017,965, including land, construction in progress, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$1,348,505 from 2014. Total accumulated depreciation as of June 30, 2015, was \$2,711,918, and total depreciation expense for the year was \$228,119, resulting in total net capital assets of \$7,306,047.

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Land	\$ 155,430	\$ 155,430	0.00 %
Construction in progress	1,223,244	-	N/A %
Buildings	4,720,693	4,840,865	(2.48) %
Improvements other than buildings	679,360	714,053	(4.86) %
Mobile equipment	506,778	423,307	19.72 %
Furniture and equipment	20,542	17,548	17.06 %
<b>Total</b>	<b>\$ 7,306,047</b>	<b>\$ 6,151,203</b>	<b>18.77 %</b>

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

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**Debt Administration.** At June 30, 2015, the District had \$6,061,907 in outstanding long-term debt, of which \$128,095 is due within one year. During the fiscal year, the District made principal payments totaling \$0 on outstanding long-term debt and also added Certificates of Participation Payable in the amount of \$2,320,000. The liability for compensated absences decreased \$9,040 from the prior year.

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage</u> <u>Change</u>
Certificates of Participation payable	\$ 2,320,000	\$ -	N/A %
Qualified zone academy bonds payable	1,700,000	1,700,000	0.00 %
Qualified school construction bonds payable	2,000,000	2,000,000	0.00 %
Compensated absences payable	41,907	50,947	(17.74) %
<b>Total</b>	<b><u>\$ 6,061,907</u></b>	<b><u>\$ 3,750,947</u></b>	<b>61.61 %</b>

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

## **CURRENT ISSUES**

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

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

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

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Enterprise School District, 503 River Road, Enterprise, MS 39330.



## FINANCIAL STATEMENTS

**ENTERPRISE SCHOOL DISTRICT**

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

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 5,491,278
Investments	531,269
Due from other governments	1,639,158
Inventories	12,751
Prepaid items	113,654
Restricted assets	2,167,435
Capital assets, non-depreciable:	
Land	155,430
Construction in progress	1,223,244
Capital assets, net of accumulated depreciation:	
Buildings	4,720,693
Improvements other than buildings	679,360
Mobile equipment	506,778
Furniture and equipment	20,542
Total Assets	<u>17,261,592</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflow related to pensions	1,153,211
Total Deferred Outflows of Resources	<u>1,153,211</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	412,384
Interest payable on long-term liabilities	37,325
Long-term liabilities, due within one year:	
Capital related liabilities	126,000
Non-capital related liabilities	2,095
Long-term liabilities, due beyond one year:	
Capital related liabilities	5,894,000
Non-capital related liabilities	39,812
Net pension liability	8,799,323
Total Liabilities	<u>15,310,939</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflow related to pensions	1,275,527
Total Deferred Inflows of Resources	<u>1,275,527</u>
<b>Net Position</b>	
Net investment in capital assets	1,286,047
Restricted for:	
Expendable:	
School-based activities	131,989
Debt service	2,209,121
Capital improvements	1,236,948
Forestry improvements	68,582
Unemployment benefits	72,217
Non-expendable:	
Sixteenth section	102,941
Other	126,405
Unrestricted	(3,405,913)
Total Net Position (deficit)	<u>\$ 1,828,337</u>

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

# ENTERPRISE SCHOOL DISTRICT

**Statement of Activities**  
**For the Year Ended June 30, 2015**

**Exhibit B**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and
		Services	Grants and	Grants and	Changes in Net
			Contributions	Contributions	Position
					Governmental
					Activities
<b>Governmental Activities:</b>					
Instruction	\$ 4,495,741	\$ 294,157	\$ 385,337	\$ -	\$ (3,816,247)
Support services	2,305,225	-	168,154	-	(2,137,071)
Non-instructional	441,667	284,048	210,372	-	52,753
Sixteenth section	37,065	55,299	-	-	18,234
Pension expense	708,037	-	-	-	(708,037)
Interest on long-term liabilities	143,250	-	-	-	(143,250)
<b>Total Governmental Activities</b>	<b>\$ 8,130,985</b>	<b>\$ 633,504</b>	<b>\$ 763,863</b>	<b>\$ -</b>	<b>\$ (6,733,618)</b>
<b>General Revenues:</b>					
Taxes:					
General purpose levies					2,582,999
Debt purpose levies					155,998
Unrestricted grants and contributions:					
State					4,437,378
Federal					115,229
Unrestricted investment earnings					71,045
Sixteenth section sources					352,729
Other					31,285
<b>Total General Revenues</b>					<b>7,746,663</b>
<b>Change in Net Position</b>					<b>1,013,045</b>
<b>Net Position - Beginning, as previously reported</b>					<b>9,655,352</b>
<b>Prior Period Adjustments</b>					<b>(8,840,060)</b>
<b>Net Position - Beginning, as restated</b>					<b>815,292</b>
<b>Net Position (deficit) - Ending</b>					<b>\$ 1,828,337</b>

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

**ENTERPRISE SCHOOL DISTRICT**  
**Governmental Funds**

**Balance Sheet**  
**June 30, 2015**

**Exhibit C**

	Major Funds			Other	Total
	General	Building Fund	QZAB	Governmental	Governmental
	Fund	2015 Renovations Fund	Fund	Funds	Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 4,918,707	\$ 1,250	\$	\$ 766,304	\$ 5,686,261
Cash with fiscal agents			1,727	6,398	8,125
Investments	531,269		1,480,926	483,401	2,495,596
Due from other governments	84,696	1,521,444		32,779	1,638,919
Due from other funds	42,773			-	42,773
Inventories				12,751	12,751
Prepaid items	113,654			-	113,654
Total assets	\$ 5,691,099	\$ 1,522,694	\$ 1,482,653	\$ 1,301,633	\$ 9,998,079
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 19,812	\$ 392,444	\$	\$ 128	\$ 412,384
Due to other funds		15,235		27,299	42,534
Total Liabilities	19,812	407,679	-	27,427	454,918
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Inventory				12,751	12,751
Permanent fund principal				102,941	102,941
Prepaid items	113,654			-	113,654
<b>Restricted:</b>					
Debt service			1,482,653	763,793	2,246,446
Capital projects		1,115,015		121,933	1,236,948
Forestry improvement purposes				68,582	68,582
Grant activities				8,498	8,498
Unemployment benefits				72,217	72,217
Food Service				123,491	123,491
<b>Assigned:</b>					
Activity Funds	76,742				76,742
Transportation and Capital Projects	1,919,518				1,919,518
Other purposes	25,000				25,000
<b>Unassigned</b>	3,536,373				3,536,373
Total Fund Balances	5,671,287	1,115,015	1,482,653	1,274,206	9,543,161
Total Liabilities and Fund Balances	\$ 5,691,099	\$ 1,522,694	\$ 1,482,653	\$ 1,301,633	\$ 9,998,079

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

**ENTERPRISE SCHOOL DISTRICT**  
**Governmental Funds**

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

**Exhibit C-1**

**Total fund balances for governmental funds** **\$ 9,543,161**

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

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Land	\$ 155,430	
Construction in progress	1,223,244	
Buildings	6,333,670	
Improvements other than buildings	867,325	
Mobile equipment	1,262,021	
Furniture and equipment	176,275	
Accumulated depreciation	<u>(2,711,918)</u>	7,306,047

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

Net pension liability	(8,799,323)	
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	1,153,211	
Deferred inflows of resources related to pensions	<u>(1,275,527)</u>	(8,921,639)

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

Other bonds payable	(3,700,000)	
Certificates of participation	(2,320,000)	
Compensated absences	(41,907)	
Accrued interest payable	<u>(37,325)</u>	(6,099,232)

<b>Net Position of governmental activities</b>		<b><u>\$ 1,828,337</u></b>
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The notes to the financial statements are an integral part of this statement.

**ENTERPRISE SCHOOL DISTRICT**

**Governmental Funds**

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

**Exhibit D**

	Major Funds				
	General Fund	Building Fund 2015 Renovations Fund	QZAB Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Local sources	\$ 2,908,724	\$	\$ 66,533	\$ 444,276	\$ 3,419,533
State sources	4,320,822			277,582	4,598,404
Federal sources	24,066			693,999	718,065
Sixteenth section sources	346,481			61,547	408,028
Total Revenues	7,600,093	-	66,533	1,477,404	9,144,030
<b>Expenditures:</b>					
Instruction	4,478,215			543,248	5,021,463
Support services	2,022,023			305,013	2,327,036
Noninstructional services				457,072	457,072
Sixteenth section	1,912			35,153	37,065
Facilities acquisition and construction	20,447	1,202,797		-	1,223,244
Debt service:					
Interest				103,737	103,737
Other		2,188		-	2,188
Total Expenditures	6,522,597	1,204,985	-	1,444,223	9,171,805
Excess (Deficiency) of Revenues over (under) Expenditures	1,077,496	(1,204,985)	66,533	33,181	(27,775)
<b>Other Financing Sources (Uses):</b>					
Bonds and notes issued		2,320,000		-	2,320,000
Payments held by escrow agent			12,450	116,000	128,450
Payment to QSCB/QZAB debt escrow agent			-	(128,450)	(128,450)
Operating transfers in	1,594			407,892	409,486
Other financing sources			1,105	-	1,105
Operating transfers out	(176,463)			(233,023)	(409,486)
Other financing uses	(2,000)		(1,105)	-	(3,105)
Total Other Financing Sources (Uses)	(176,869)	2,320,000	12,450	162,419	2,318,000
Net Change in Fund Balances	900,627	1,115,015	78,983	195,600	2,290,225
<b>Fund Balances:</b>					
July 1, 2014, as previously reported	3,049,969	-	1,403,670	2,801,457	7,255,096
Fund reclassification	1,721,659			(1,721,659)	-
Prior period adjustments	(968)			209	(759)
July 1, 2014, as restated	4,770,660	-	1,403,670	1,080,007	7,254,337
Increase (Decrease) in inventory				(1,401)	(1,401)
June 30, 2015	\$ 5,671,287	\$ 1,115,015	\$ 1,482,653	\$ 1,274,206	\$ 9,543,161

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

**ENTERPRISE SCHOOL DISTRICT**  
**Governmental Funds**

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

**Exhibit D-1**

**Net change in fund balances - total governmental funds** **\$ 2,290,225**

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

1.	Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
	Capital outlay	\$ 1,304,630	
	Depreciation expense	<u>(228,119)</u>	1,076,511
2.	In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold.		(295)
3.	The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
	Bonds and notes issued	(2,320,000)	
	Accrued interest payable	<u>(37,325)</u>	(2,357,325)
4.	Some items reported in the statement of activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:		
	Recording of pension expense for the current period	(595,944)	
	Recording of contributions made subsequent to the measurement date	704,327	
	Amortization of deferred outflow of resources	<u>(112,093)</u>	(3,710)
5.	Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
	Change in compensated absences	9,040	
	Change in inventory	<u>(1,401)</u>	7,639
<b>Change in Net Position of governmental activities</b>			<u><b>\$ 1,013,045</b></u>

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

**ENTERPRISE SCHOOL DISTRICT  
Fiduciary Funds**

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

**Exhibit E**

	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 294,368
Total Assets	<u>\$ 294,368</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 256,847
Due to other funds	239
Due to student clubs	37,282
Total Liabilities	<u>\$ 294,368</u>

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



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

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

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

**A. Financial Reporting Entity**

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

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

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

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

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

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

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

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

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.

Building Fund 2015 Renovations Fund - This fund is used to account for the proceeds from Certificates of Participation that are received and the expenditures associated with the construction in progress.

QZAB Fund - This a debt service sinking fund that is used to account for the annual deposits to be paid to the Qualified Zone Academy Bonds.

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

The school district also reports fiduciary funds which focus on assets and liabilities only. The District's fiduciary funds include the following:

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

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

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

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

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

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

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis

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

of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

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

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

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

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

**D. Encumbrances**

An encumbrance system is maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to

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

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. (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.

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

5. Restricted Assets

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

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

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

See Note 5 for details.

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The school district has incurred a deferred outflow which is presented as a deferred outflow related to pensions. See Note 16 for further details.

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

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

inflow related to pensions. See Note 16 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

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 non-spendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

*Non-spendable 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.

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*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 business manager and Superintendent pursuant to authorization established by school board policy.

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

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

**F. New Pronouncements**

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

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

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

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

**Investments.** Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty

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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 \$5,686,261 and \$294,368, respectively.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2015, none of the district's bank balance of \$6,529,334 was exposed to custodial credit risk.

#### Cash with Fiscal Agents

The carrying amount of the school district's cash with fiscal agents held by financial institutions in the governmental funds was \$8,125. This amount is reported as restricted assets in the government-wide financial statements.

#### Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
US Government Obligations	AAAm-G	1 year	1,480,926
US Treasury SLGS Deposit		10 years	483,401
Certificate of Deposit	N/A	1 year	\$ 531,269
Total			<u>\$ 2,495,596</u>

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

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

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

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



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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	Building Fund 2015 Renovations Fund	\$ 15,235
	Other governmental funds	27,299
	Fiduciary funds	239
Total		<u>\$ 42,773</u>

The primary purpose of the inter-fund receivables and payables is to close out federal program funds at year end. Inter-fund balances also represent loan transactions between governmental funds and amounts due to and from the clearing funds and governmental funds. All inter-fund receivables and payables are expected to be repaid within one year.

**B. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 176,463
Other governmental funds	General Fund	1,594
	Other governmental funds	231,429
Total		<u>\$ 409,486</u>

Operating transfers were primarily for the following: indirect cost transfers, vocational and special education expenditure transfers, and other routine operating transfers. These transfers are consistent with the activities of the fund making the transfer.

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance totaling \$102,941 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 Qualified School Construction Bond also had a cash, cash with fiscal agent, and investment balance, respectively of \$92,042, \$6,398, and \$483,401. In addition, the restricted assets represent the cash with fiscal agent and investment balances of \$1,727 and \$1,480,926, respectively in the Qualified Zone Academy Bond Fund.

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**Note 5 – Capital Assets**

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

	Balance 7/1/2014	Increases	Decreases	Adjustments	Balance 6/30/2015
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 155,430	\$	\$	\$	\$ 155,430
Construction in progress		1,223,244			1,223,244
Total non-depreciable capital assets	155,430	1,223,244	-	-	1,378,674
<u>Depreciable capital assets:</u>					
Buildings	6,333,670				6,333,670
Improvements other than buildings	867,325				867,325
Mobile equipment	1,110,311	78,355		73,355	1,262,021
Furniture and equipment	202,724	3,031	29,480		176,275
Total depreciable capital assets	8,514,030	81,386	29,480	73,355	8,639,291
<u>Less accumulated depreciation for:</u>					
Buildings	1,492,805	120,172			1,612,977
Improvements other than buildings	153,272	34,693			187,965
Mobile equipment	687,004	69,090		(851)	755,243
Furniture and equipment	185,176	4,164	29,185	(4,422)	155,733
Total accumulated depreciation	2,518,257	228,119	29,185	(5,273)	2,711,918
Total depreciable capital assets, net	5,995,773	(146,733)	295	78,628	5,927,373
Governmental activities capital assets, net	\$ 6,151,203	\$ 1,076,511	\$ 295	\$ 78,628	\$ 7,306,047

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 5,010
Support services	223,109
Non-instructional	-
Total depreciation expense - Governmental activities	\$ 228,119

The capital assets above include significant amounts of land, buildings, mobile equipment, and furniture and equipment which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition.

Construction in progress is composed of:

	Spent to June 30, 2015	Remaining Commitment
<b>Governmental Activities:</b>		
Cafeteria and Gym Upgrades	\$ 1,223,244	\$ 1,024,756
Total governmental activities	1,223,244	1,024,756
Total construction in progress	\$ 1,223,244	\$ 1,024,756

Construction projects included in governmental activities are funded with the Building Fund 2015 Renovations fund.

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**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015	Amounts due within one year
A. Certificates of Participation payable	\$ -	\$ 2,320,000	\$ -	\$ 2,320,000	\$ 126,000
B. Qualified zone academy bonds payable	1,700,000		-	1,700,000	-
C. Qualified school construction bonds payable	2,000,000			2,000,000	-
D. Compensated absences payable	50,947		9,040	41,907	2,095
Total	\$ 3,750,947	\$ 2,320,000	\$ 9,040	\$ 6,061,907	\$ 128,095

**A. Certificates of participation payable**

As more fully explained in Note 13, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
\$1,760,000 Trust Certificates,					
1. Series 2014	1.05 % - 3.4%	11/4/2014	11/1/2029	\$ 1,760,000	\$ 1,760,000
\$560,000 Trust Certificates,					
2. Series 2015	1.1% - 3.45%	2/1/2015	11/1/2029	560,000	560,000
Total				<u>\$ 2,320,000</u>	<u>\$ 2,320,000</u>

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

1. Certificates of participation issue of 11/04/2014:

Year Ending June 30	Principal	Interest	Total
2016	\$ 95,000	\$ 65,616	\$ 160,616
2017	96,000	42,687	138,687
2018	100,000	41,224	141,224
2019	100,000	39,454	139,454
2020	105,000	37,406	142,406
2021 – 2025	561,000	148,211	709,211
2026 – 2030	703,000	58,776	761,776
Total	<u>\$ 1,760,000</u>	<u>\$ 433,374</u>	<u>\$ 2,193,374</u>

This debt will be retired from the EEF Building or Buses Fund or District funds.

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2. Certificates of participation issue of 02/01/2015:

Year Ending June 30	Principal	Interest	Total
2016	\$ 31,000	\$ 17,610	\$ 48,610
2017	32,000	13,666	45,666
2018	32,000	13,180	45,180
2019	33,000	12,609	45,609
2020	34,000	11,967	45,967
2021 – 2025	182,000	47,880	229,880
2026 – 2030	216,000	18,770	234,770
Total	<u>\$ 560,000</u>	<u>\$ 135,682</u>	<u>\$ 695,682</u>

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

Total certificates of participation payments for all issues:

Year Ending June 30	Principal	Interest	Total
2016	\$ 126,000	\$ 83,226	\$ 209,226
2017	128,000	56,353	184,353
2018	132,000	54,404	186,404
2019	133,000	52,063	185,063
2020	139,000	49,373	188,373
2021 – 2025	743,000	196,091	939,091
2026 – 2030	919,000	77,546	996,546
Total	<u>\$ 2,320,000</u>	<u>\$ 569,056</u>	<u>\$ 2,889,056</u>

**B. Qualified zone academy bonds payable**

As more fully explained in Note 14, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified Zone Academy Bonds, Series 2004	0%	8/12/2004	8/12/2018	\$ 1,700,000	\$ 1,700,000
Total				<u>\$ 1,700,000</u>	<u>\$ 1,700,000</u>

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

**C. Qualified school construction bonds payable**

As more fully explained in Note 15, debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

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Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified School Construction					
Bonds, Series 2010	5.40%	8/27/2010	8/1/2025	\$ 2,000,000	\$ 2,000,000
Total				<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>

Year Ending June 30	Principal	Interest	Total
2016	\$ -	\$ 108,000	\$ 108,000
2017	-	108,000	108,000
2018	-	108,000	108,000
2019	-	108,000	108,000
2020	-	108,000	108,000
2021 – 2025	-	540,000	540,000
2026	2,000,000	108,000	2,108,000
Total	<u>\$ 2,000,000</u>	<u>\$ 1,188,000</u>	<u>\$ 3,188,000</u>

The debt will be retired from the QSCB Debt Service Fund.

**D. Compensated absences payable**

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

**Note 7 – 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

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

*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2015, 2014 and 2013 were \$704,327, \$697,676 and \$604,834, respectively, which equaled the required contributions for each year.

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

At June 30, 2015, the school district reported a liability of \$8,799,323 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2014, the school district's proportion was 0.072493 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$708,037. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 137,267	\$
Net difference between projected and actual earnings on pension plan investments		1,275,527
Change in proportion and differences between employer contributions and proportionate share of employer contributions	311,617	
District contributions subsequent to the measurement date	704,327	
Total	\$ <u>1,153,211</u>	\$ <u>1,275,527</u>

\$704,327 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (157,412)
2017	(157,412)
2018	(192,936)
2019	(318,883)

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

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

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

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

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

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

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

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

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
District's proportionate share of the net pension liability	\$ 11,996,101	\$ 8,799,323	\$ 6,132,735

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is

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available in the separately issued PERS financial report.

**Note 8 – Sixteenth Section Lands**

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

Year Ending June 30	Amount
2016	\$ 30,130
2017	28,895
2018	28,895
2019	1,800
2020	1,800
2021 – 2025	9,000
2026 – 2030	9,000
2031 – 2033	3,600
Total	<u>\$ 113,120</u>

**Note 9 – Prior Period Adjustments**

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Implementation of GASB 68 and 71:	
Net pension liability (measurement date)	\$ (9,615,605)
Deferred outflows - contributions made during fiscal year 2014	<u>697,676</u>
Total prior period adjustment related to GASB 68 and 71	\$ (8,917,929)
2. To correct prior year receivable and write off outstanding checks at the governmental fund level	(759)
3. To correct Capital Asset from previous period	<u>78,628</u>
Total	<u>\$ (8,840,060)</u>

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

Fund	Explanation	Amount
General Fund	To correct prior year revenue or expenditure	\$ (968)
Other Governmental	To correct prior year revenue or expenditure	<u>209</u>
Total		<u>\$ (759)</u>



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**Note 10 – Fund Reclassification**

A fund reclassification in the amount of \$1,721,659 was needed to report Sixteenth Section Interest Funds, previously reported as Special Revenue Funds in prior years, as General Funds for fiscal year ended June 30, 2015.

**Note 11 – Contingencies**

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

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

**Note 12 – Risk Management**

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

**Participation in Public Entity Risk Pool**

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

**Note 13 – Trust Certificates**

A trust agreement dated November 4, 2014 and February 12, 2015, was executed by and between the school district and Enterprise School District Leasing Authority, Inc., as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$1,760,000 and \$560,000 that combined to a total of \$2,320,000. Approximately \$2,305,000 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$15,000 was used to pay the cost of issuance.

The project is leased to the school district in accordance with the provisions of the Emergency School

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

Leasing Authority Act as described in Section 37-7-351, et seq., Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

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

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

#### **Note 14 – Qualified Zone Academy Bonds**

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with Bank of America, entered into such an arrangement dated August 12, 2004.

This agreement established a method of repayment for a qualified interest-free debt instrument. The agreement required the school district to deposit funds annually into a sinking fund account on or before August 11 of each year. The amount on deposit at June 30, 2015 was \$1,482,653. The amount accumulated in the sinking fund at the end of the ten-year period was sufficient to retire the debt at its maturity on August 12, 2018.

#### **Note 15 – Qualified School Construction Bonds**

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. For the year ended June 30, 2015, the subsidy payments amounted to \$92,800.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2015 was \$581,841. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

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

Year Ending June 30	Amount
2016	\$ 125,000
2017	125,000
2018	125,000
2019	125,000
2020	125,000
2021 – 2023	<u>375,000</u>
Total	<u>\$ 1,000,000</u>

**Note 16 – Effect of Deferred Amounts on Net Position**

The unrestricted net position amount of (\$3,405,913) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$704,327 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The \$448,884 balance of the deferred outflow of resources related to pensions at June 30, 2015 will be recognized in pension expense over the next 3 years. The \$1,275,527 balance of the deferred inflow of resources related to pensions at June 30, 2015 will be recognized in pension expense over the next 4 years.

**Note 17 - 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 Enterprise School District evaluated the activity of the district through November 30, 2016, (the date the financial statements were available to be issued), and determined that there were no subsequent events that have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**ENTERPRISE SCHOOL DISTRICT**  
**Required Supplementary Information**

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 2,623,499	\$ 2,622,304	\$ 2,908,724	\$ (1,195)	\$ 286,420
State sources	4,475,697	4,475,697	4,320,822	-	(154,875)
Federal sources	5,000	5,000	24,066	-	19,066
Sixteenth Section sources	32,530	32,530	346,481	-	313,951
Total Revenues	7,136,726	7,135,531	7,600,093	(1,195)	464,562
<b>Expenditures:</b>					
Instruction	5,127,270	5,243,500	4,478,215	(116,230)	(765,285)
Support services	2,167,224	2,167,224	2,022,023	-	(145,201)
Sixteenth section	31,821	31,821	1,912	-	(29,909)
Facilities acquisition and construction	64,146	64,146	20,447	-	(43,699)
Total Expenditures	7,390,461	7,506,691	6,522,597	(116,230)	(984,094)
Excess (Deficiency) of Revenues over (under) Expenditures	(253,735)	(371,160)	1,077,496	(117,425)	1,448,656
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	803,542	803,542	1,594	-	(801,948)
Operating transfers out	(1,215,542)	(1,215,542)	(176,463)	-	1,039,079
Other financing uses	-	-	(2,000)	-	(2,000)
Total Other Financing Sources (Uses)	(412,000)	(412,000)	(176,869)	-	235,131
Net Change in Fund Balances	(665,735)	(783,160)	900,627	(117,425)	1,683,787
<b>Fund Balances:</b>					
July 1, 2014, as previously reported	4,770,660	4,770,660	3,049,969	-	(1,720,691)
Fund reclassification			1,721,659	-	1,721,659
Prior period Adjustments	-	-	(968)	-	(968)
July 1, 2014, as restated	4,770,660	4,770,660	4,770,660	-	-
June 30, 2015	\$ 4,104,925	\$ 3,987,500	\$ 5,671,287	\$ (117,425)	\$ 1,683,787

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

**Enterprise School District**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**PERS**  
**Last 10 Fiscal Years\***

	<u>2015</u>
District's proportion of the net pension liability (asset)	\$ 8,799,323
District's proportionate share of the net pension liability (asset)	0.072493%
District's covered - employee payroll	4,429,689
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	198.644266%
Plan fiduciary net position as a percentage of the total pension liability	67.207687%

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

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

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

**Enterprise School District**  
**Required Supplementary Information**  
**Schedule of District Contributions**  
**PERS**  
**Last 10 Fiscal Years**

	<u><b>2015</b></u>
Contractually required contribution	\$ 704,327
Contributions in relation to the contractually required contribution	704,327
Contribution deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	4,471,917
Contributions as a percentage of covered - employee payroll	15.75%

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

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

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

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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



SUPPLEMENTAL INFORMATION

**ENTERPRISE SCHOOL DISTRICT**  
**Supplemental Information**

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

Federal Grantor/Pass-through Grantor/Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 48,376
National school lunch program	10.555	179,285
Total child nutrition cluster		227,661
Total passed-through Mississippi Department of Education		227,661
<b>Total U.S. Department of Agriculture</b>		227,661
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	24,066
<b>Total Federal Communications Commission</b>		24,066
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	136,678
Rural education	84.358	12,795
Improving teacher quality state grants	84.367	42,603
Subtotal		192,076
Title I cluster:		
Special education cluster:		
Special education - grants to states	84.027	195,449
Special education - preschool grants	84.173	10,086
Total special education cluster		205,535
Total passed-through Mississippi Department of Education		397,611
<b>Total U.S. Department of Education</b>		397,611
Total for All Federal Awards		\$ 649,338

**NOTES TO SCHEDULE**

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.

**ENTERPRISE SCHOOL DISTRICT**  
**Supplemental Information**  
**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds**  
**For the Year Ended June 30, 2015**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 6,118,919	4,716,670	373,772	339,786	688,691
Other	3,052,886	588,084	179,432	24,131	2,261,239
Total	<u>\$ 9,171,805</u>	<u>5,304,754</u>	<u>553,204</u>	<u>363,917</u>	<u>2,949,930</u>
Total number of students *	<u>1,000</u>				
Cost per student	<u>\$ 9,172</u>	<u>5,305</u>	<u>553</u>	<u>364</u>	<u>2,950</u>

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

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

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

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

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

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

## OTHER INFORMATION

**ENTERPRISE SCHOOL DISTRICT**  
**Other Information**

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

**General Fund**

**Last Four Years**

**UNAUDITED**

	2015	2014*	2013*	2012*
<b>Revenues:</b>				
Local sources	\$ 2,908,724	\$ 2,708,470	\$ 2,419,962	\$ 2,330,779
State sources	4,320,822	4,283,056	4,333,768	4,052,527
Federal sources	24,066	18,308	14,600	14,159
Sixteenth Section sources	346,481			
Total Revenues	7,600,093	7,009,834	6,768,330	6,397,465
<b>Expenditures:</b>				
Instruction	4,478,215	4,439,547	4,093,365	3,940,577
Support services	2,022,023	2,031,910	1,888,344	1,850,770
Sixteenth Section	1,912			
Facilities acquisition and construction	20,447			
Debt Service:				
Principal				
Interest				
Total Expenditures	6,522,597	6,471,457	5,981,709	5,791,347
Excess (Deficiency) of Revenues over (under) Expenditures	1,077,496	538,377	786,621	606,118
<b>Other Financing Sources (Uses):</b>				
Sale of transportation equipment	-	2,462	1,542	1,735
Sale of other property			4,000	
Operating transfers in	1,594	48,671	10,598	8,024
Operating transfers out	(176,463)	(76,196)	(161,413)	(46,843)
Other financing uses	(2,000)	(2,000)		
Total Other Financing Sources (Uses)	(176,869)	(27,063)	(145,273)	(37,084)
Net Change in Fund Balances	900,627	511,314	641,348	569,034
<b>Fund Balances:</b>				
Beginning of period, as originally reported	3,049,969	2,497,038	1,855,690	1,322,492
Fund reclassification	1,721,659			
Prior Period Adjustments	(968)	41,617		(35,836)
Beginning of period, restated	4,770,660	2,538,655	1,855,690	1,286,656
End of Period	\$ 5,671,287	3,049,969	\$ 2,497,038	\$ 1,855,690

\*SOURCE - PRIOR YEAR AUDIT REPORTS

# ENTERPRISE SCHOOL DISTRICT

## Other Information

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

#### All Governmental Funds

#### Last Four Years

#### UNAUDITED

	2015	2014*	2013*	2012*
<b>Revenues:</b>				
Local sources	\$ 3,419,533	\$ 3,096,368	\$ 2,784,736	\$ 2,707,464
State sources	4,598,404	4,564,638	4,600,204	4,332,864
Federal sources	718,065	733,711	716,233	642,402
Sixteenth section sources	408,028	372,459	60,828	306,607
Total Revenues	9,144,030	8,767,176	8,162,001	7,989,337
<b>Expenditures:</b>				
Instruction	5,021,463	4,954,636	4,631,710	4,497,537
Support services	2,327,036	2,274,966	2,053,576	2,096,924
Noninstructional services	457,072	460,429	453,058	445,575
Sixteenth section	37,065	45,017	39,996	77,494
Facilities acquisition and construction	1,223,244			1,511,482
Debt service:				
Interest	103,737	15,418	5,358	
Other	2,188			235,095
Total Expenditures	9,171,805	7,750,466	7,183,698	8,864,107
Excess (Deficiency) of Revenues over (under) Expenditures	(27,775)	1,016,710	978,303	(874,770)
<b>Other Financing Sources (Uses):</b>				
Proceeds of Loan	2,320,000			
Payments held by escrow agent	128,450	128,450	128,450	161,195
Payment to QSCB/QZAB debt escrow agent	(128,450)	(128,450)	(128,450)	(13,555)
Other financing sources	1,105		1,775	
Sale of transportation equipment		2,462	1,542	1,735
Sale of other property			4,000	
Operating transfers in	409,486	124,867	420,767	1,780,348
Operating transfers out	(409,486)	(124,867)	(420,767)	(1,780,348)
Other financing uses	(3,105)	(2,000)	(1,775)	
Total Other Financing Sources (Uses)	2,318,000	462	5,542	149,375
Net Change in Fund Balances	2,290,225	1,017,172	983,845	(725,395)
<b>Fund Balances:</b>				
Beginning of period, as originally reported	7,255,096	6,241,604	5,175,608	5,904,560
Prior period adjustments	(759)	(3,075)	74,369	
Beginning of period, restated	7,254,337	6,238,529	5,249,977	5,904,560
Increase (Decrease) in reserve for inventory	(1,401)	(605)	7,782	(3,557)
End of Period	\$ 9,543,161	\$ 7,255,096	\$ 6,241,604	\$ 5,175,608

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## REPORTS ON INTERNAL CONTROL AND COMPLIANCE



## McKENZIE CPA, PLLC

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### 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  
Enterprise 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 Enterprise School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Enterprise School District's basic financial statements, and have issued our report thereon dated November 30, 2016.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Enterprise 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Enterprise School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Enterprise School District's internal control. A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Enterprise 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*.

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.

McKenzie CPA, PLLC  
Brandon, Mississippi  
November 30, 2016

McKenzie CPA, PLLC



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

Superintendent and School Board  
Enterprise School District

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

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

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Enterprise School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Enterprise School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Enterprise School District's compliance.

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

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

#### **Report on Internal Control Over Compliance**

Management of Enterprise School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Enterprise School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major

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

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

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

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

McKenzie CPA, PLLC  
Brandon, Mississippi  
November 30, 2016

McKenzie CPA, PLLC

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



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

Superintendent and School Board  
Enterprise School District

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

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

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

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

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

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

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

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

McKenzie CPA, PLLC  
Brandon, Mississippi  
November 30, 2016

*McKenzie CPA, PLLC*

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Section I: Summary of Auditor's Results

Financial Statements:

- |    |   |               |
|----|---|---------------|
| 1. | Type of auditor's report issued:                      | Unmodified    |
|    |   |               |
| 2. | Internal control over financial reporting:            |               |
| a. | Material weaknesses identified?                       | No            |
| b. | Significant deficiencies identified?                  | None reported |
|    |   |               |
| 3. | Noncompliance material to financial statements noted? | No            |

Federal Awards:

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

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553; 10.555	Child Nutrition Cluster
84.027; 84.173	Special Education Cluster

- |     |   |           |
|-----|---|-----------|
| 8.  | Dollar threshold used to distinguish between type A and type B programs:  | \$300,000 |
|     |   |           |
| 9.  | Auditee qualified as low-risk auditee?  | No        |
|     |   |           |
| 10. | Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section___.315(b) of OMB Circular A-133. | No        |

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

Section II: Financial Statement Findings

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

Section III: Federal Award Findings and Questioned Costs

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