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GREENE COUNTY SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2015

GREENE COUNTY SCHOOL DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

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**INDEPENDENT AUDITOR'S REPORT**

Superintendent and School Board  
Greene County School District

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Greene County School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Greene County School District's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

## ***Opinions***

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

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 5-13, 44-46, 47 and 48, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary and Other Information***

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report October 10, 2017, on our consideration of the Greene County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Greene County School District's internal control over financial reporting and compliance.

A handwritten signature in dark ink that reads "Cunningham CPAs". The signature is written in a cursive, flowing style.

Cunningham CPAs, PLLC

Belzoni, Mississippi

October 10, 2017



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

## **FINANCIAL HIGHLIGHTS**

- Total net position for 2015 decreased \$20,794,597, including a prior period adjustment of (\$21,531,113), which represents a 177% decrease from fiscal year 2014. Total net position for 2014 decreased \$98,522, which represents a 1% decrease from fiscal year 2013.
- General revenues amounted to \$14,641,370 and \$14,156,160, or 80% and 80% of all revenues for fiscal years 2015 and 2014, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,579,488, or 20% of total revenues for 2015, and \$3,454,867, or 20% of total revenues for 2014.
- The District had \$17,484,342 and \$17,709,549 in expenses for fiscal years 2015 and 2014; only \$3,579,488 for 2015 and \$3,454,867 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$14,641,370 for 2015 were adequate to provide for these programs and \$14,156,160 for 2014 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$14,761,234 in revenues and \$13,582,152 in expenditures for 2015, and \$13,918,898 in revenues and \$13,679,044 in expenditures in 2014. The General Fund's fund balance increased by \$1,631,630, including a prior period adjustment of (\$153,442), and including a fund reclassification of the Sixteenth Section Interest Funds of \$1,634,675, from 2014 to 2015, and increased by \$203,066 from 2013 to 2014.
- Capital assets, net of accumulated depreciation, decreased by \$298,472 for 2015 and decreased by \$175,620 for 2014. The decrease for 2015 was due primarily to the increase in accumulated depreciation.
- Long-term debt decreased by \$229,948 for 2015 and decreased by \$255,961 for 2014. This decrease for 2015 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences increased by \$4,882 for 2015 and decreased by \$19,608 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 nonfiduciary assets and liabilities, with the differences between the two reported as "net position." Over time, increases or decreases in the

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

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

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

statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

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

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

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

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

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

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

#### **Required Supplementary Information**

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

#### **Supplementary Information**

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

#### **Other Information**

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

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

#### **Net position**

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$9,077,372 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.

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

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

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

	June 30, 2015	June 30, 2014	Percentage Change
Current assets	\$ 4,344,369	\$ 4,153,553	4.59 %
Restricted assets	1,620,393	1,587,174	2.09 %
Capital assets, net	9,799,506	10,097,978	-2.96 %
<b>Total assets</b>	<b>15,764,268</b>	<b>15,838,705</b>	<b>-0.47 %</b>
 <b>Deferred outflows of resources</b>	 <b>1,921,393</b>	 <b>-</b>	 <b>N/A %</b>
 Current liabilities	 382,005	 413,914	 -7.71 %
Long-term debt outstanding	3,477,618	3,707,566	-6.20 %
Net pension liability	19,408,932	-	N/A %
<b>Total liabilities</b>	<b>23,268,555</b>	<b>4,121,480</b>	<b>464.57 %</b>
 <b>Deferred inflows of resources</b>	 <b>3,494,478</b>	 <b>-</b>	 <b>N/A %</b>
 <b>Net position:</b>			
Net investment in capital assets	6,614,506	6,817,978	-2.98 %
Restricted	2,426,267	2,404,242	0.92 %
Unrestricted	(18,118,145)	2,495,005	-826.18 %
<b>Total net position</b>	<b>\$ (9,077,372)</b>	<b>\$ 11,717,225</b>	<b>-177.47 %</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)	\$ (18,118,145)
Less unrestricted deficit in net position resulting from implementation of GASB No. 68 and 71.	<u>20,982,017</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 2,863,872</u>

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

- Decrease in net capital assets in the amount of \$298,472.
- The principal retirement of \$234,830 of long-term debt.
- 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.

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

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$18,220,858 and \$17,611,027, respectively. The total cost of all programs and services was \$17,484,342 for 2015 and \$17,709,549 for 2014.

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

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

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

	Year Ended June 30, 2015	Year Ended June 30, 2014	Percentage Change
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 801,621	\$ 809,304	(0.95) %
Operating grants and contributions	2,777,867	2,645,563	5.00 %
General revenues:			
Property taxes	3,950,204	3,562,997	10.87 %
Grants and contributions not restricted	9,984,007	9,953,217	0.31 %
Investment earnings	23,802	20,646	15.29 %
Sixteenth section sources	477,175	368,789	29.39 %
Other	206,182	250,511	(17.70) %
<b>Total revenues</b>	<b>18,220,858</b>	<b>17,611,027</b>	<b>3.46 %</b>
<b>Expenses:</b>			
Instruction	9,550,045	10,073,718	(5.20) %
Support services	5,326,901	6,033,116	(11.71) %
Non-instructional	1,307,994	1,345,182	(2.76) %
Sixteenth section	47,628	67,515	(29.46) %
Pension expense	1,069,523	-	N/A %
Interest on long-term liabilities	182,251	190,018	(4.09) %
<b>Total expenses</b>	<b>17,484,342</b>	<b>17,709,549</b>	<b>(1.27) %</b>
<b>Increase (Decrease) in net position</b>	<b>736,516</b>	<b>(98,522)</b>	<b>847.57 %</b>
<b>Net Position, July 1, as previously reported</b>	<b>11,717,225</b>	<b>11,815,747</b>	<b>(0.83) %</b>
<b>Prior period adjustment</b>	<b>(21,531,113)</b>	<b>-</b>	<b>N/A %</b>
<b>Net Position, July 1, as restated</b>	<b>(9,813,888)</b>	<b>11,815,747</b>	<b>(183.06) %</b>
<b>Net Position, June 30</b>	<b>\$ (9,077,372)</b>	<b>\$ 11,717,225</b>	<b>(177.47) %</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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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GASB 68 was implemented in fiscal year 2015. Prior year amounts do not reflect the implementation of GASB 68.

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

	<b>Total Expenses</b>		<b>Percentage Change</b>
	<b>2015</b>	<b>2014</b>	
Instruction	\$ 9,550,045	\$ 10,073,718	(5.20) %
Support services	5,326,901	6,033,116	(11.71) %
Non-instructional	1,307,994	1,345,182	(2.76) %
Sixteenth section	47,628	67,515	(29.46) %
Pension Expense	1,069,523	-	N/A %
Interest on long-term liabilities	182,251	190,018	(4.09) %
<b>Total expenses</b>	<b>\$ 17,484,342</b>	<b>\$ 17,709,549</b>	<b>(1.27) %</b>

  

	<b>Net (Expense) Revenue</b>		<b>Percentage Change</b>
	<b>2015</b>	<b>2014</b>	
Instruction	\$ (7,663,192)	\$ (8,298,457)	(7.66) %
Support services	(4,827,788)	(5,531,096)	(12.72) %
Non-instructional	(114,472)	(167,596)	(31.70) %
Sixteenth section	(47,628)	(67,515)	(29.46) %
Pension Expense	(1,069,523)	-	N/A %
Interest on long-term liabilities	(182,251)	(190,018)	(4.09) %
<b>Total net (expense) revenue</b>	<b>\$ (13,904,854)</b>	<b>\$ (14,254,682)</b>	<b>(2.45) %</b>

- Net cost of governmental activities (\$13,904,854 for 2015 and \$14,254,682 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$3,950,204 for 2015 and \$3,562,997 for 2014) and state and federal revenues (\$9,984,007 for 2015 and \$9,953,217 for 2014). In addition, there was \$477,175 and \$368,789 in Sixteenth Section sources for 2015 and 2014, respectively.
- Investment earnings amounted to \$23,802 for 2015 and \$20,646 for 2014.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$5,746,256, an increase of \$249,620, which includes a decrease in inventory of \$1,795. \$2,892,666 or 50% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$2,853,590 or 50% is either

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

nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$1,631,630, including a prior period adjustment of (\$153,442), and including a fund reclassification of \$1,634,675. The fund balance of Other Governmental Funds showed a decrease in the amount of \$1,587,297, which includes a fund reclassification of (\$1,634,675) and including a decrease in reserve for inventory of \$1,795. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>	
Title I Fund	No increase or decrease	
Forestry Escrow Fund	\$	42,433
QSCB Sinking Fund	\$	160,282
16th Section Principal Fund	\$	2,572

## BUDGETARY HIGHLIGHTS

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

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2015, the District's total capital assets were \$17,661,262, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$208,150 from 2014. Total accumulated depreciation as of June 30, 2015, was \$7,861,756, and total depreciation expense for the year was \$506,622, resulting in total net capital assets of \$9,799,506.

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Land	\$ 48,084	\$ 48,084	0.00 %
Buildings	6,972,003	7,163,113	(2.67) %
Building improvements	1,471,100	1,555,430	(5.42) %
Improvements other than buildings	201,189	214,102	(6.03) %
Mobile equipment	854,744	809,909	5.54 %
Furniture and equipment	252,386	307,340	(17.88) %
<b>Total</b>	<b>\$ 9,799,506</b>	<b>\$ 10,097,978</b>	<b>(2.96) %</b>

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



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

**Debt Administration.** At June 30, 2015, the District had \$3,477,618 in outstanding long-term debt, of which \$238,397 is due within one year. The liability for compensated absences increased \$4,882 from the prior year.

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Three mill notes payable	\$ 185,000	\$ 280,000	(33.93) %
Qualified school construction bonds	3,000,000	3,000,000	0.00 %
Shortfall notes payable	143,397	283,227	(49.37) %
Compensated absences payable	149,221	144,339	3.38 %
<b>Total</b>	<b><u>\$ 3,477,618</u></b>	<b><u>\$ 3,707,566</u></b>	<b><u>(6.20) %</u></b>

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

## CURRENT ISSUES

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

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting and internal financial controls are 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 Greene County School District, P.O. Box 1329, Leakesville, MS 39451.

## FINANCIAL STATEMENTS

**GREENE COUNTY SCHOOL DISTRICT**

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

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 3,717,189
Due from other governments	610,902
Inventories	16,278
Restricted assets	1,620,393
Capital assets, non-depreciable:	
Land	48,084
Capital assets, net of accumulated depreciation:	
Buildings	6,972,003
Building improvements	1,471,100
Improvements other than buildings	201,189
Mobile equipment	854,744
Furniture and equipment	252,386
Total Assets	<u>15,764,268</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows - pensions	1,921,393
Total deferred outflows of resources	<u>1,921,393</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	213,086
Unearned income	5,420
Interest payable on long-term liabilities	163,499
Long-term liabilities, due within one year:	
Capital related liabilities	95,000
Non-capital related liabilities	143,397
Long-term liabilities, due beyond one year:	
Capital related liabilities	3,090,000
Non-capital related liabilities	149,221
Net pension liability	19,408,932
Total Liabilities	<u>23,268,555</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	3,494,478
Total deferred inflows of resources	<u>3,494,478</u>
<b>Net Position</b>	
Invested in capital assets, net of related debt	6,614,506
Restricted for:	
Expendable:	
School-based activities	462,966
Debt service	742,749
Forestry improvements	299,610
Unemployment benefits	60,243
Non-expendable:	
Sixteenth section principal	860,699
Unrestricted	(18,118,145)
Total Net Position	<u>\$ (9,077,372)</u>

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

**GREENE COUNTY SCHOOL DISTRICT**

**Statement of Activities**

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

**Exhibit B**

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Instruction	\$ 9,550,045	\$ 600,097	\$ 1,286,756	\$ -		\$ (7,663,192)
Support services	5,326,901	-	499,113	-		(4,827,788)
Non-instructional	1,307,994	201,524	991,998	-		(114,472)
Sixteenth section	47,628	-	-	-		(47,628)
Pension expense	1,069,523	-	-	-		(1,069,523)
Interest on long-term liabilities and other debt service costs	182,251	-	-	-		(182,251)
Total Governmental Activities	<u>\$ 17,484,342</u>	<u>\$ 801,621</u>	<u>\$ 2,777,867</u>	<u>\$ -</u>		<u>\$ (13,904,854)</u>

General Revenues:

Taxes:

General purpose levies 3,673,049

Debt purpose levies 277,155

Unrestricted grants and contributions:

State 9,756,478

Federal 227,529

Unrestricted investment earnings 23,802

Sixteenth section sources 477,175

Other 206,182

Total General Revenues 14,641,370

Change in Net Position 736,516

Net Position - Beginning, as previously reported 11,717,225

Prior Period Adjustments (21,531,113)

Net Position - Beginning, as restated (9,813,888)

Net Position - Ending \$ (9,077,372)

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

**GREENE COUNTY SCHOOL DISTRICT**

**Governmental Funds**

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

**Exhibit C**

	Major Funds							
	General Fund	Title I Fund	Forestry Escrow Fund	QSCB Sinking Fund	16th Section Principal Fund	Other Governmental Funds	Total Governmental Funds	
<b>Assets</b>								
Cash and cash equivalents	\$ 2,816,093	\$ 8,981	\$ 337,661	\$ 70,927	\$ 858,582	\$ 681,064	\$ 4,773,308	
Investments	-	-	-	564,274	-	-	564,274	
Due from other governments	385,334	36,194	-	-	-	186,724	608,252	
Due from other funds	104,181	-	-	-	2,117	7,815	114,113	
Inventories	-	-	-	-	-	16,278	16,278	
Total assets	3,305,608	45,175	337,661	635,201	860,699	891,881	6,076,225	
<b>Liabilities and Fund Balances</b>								
<b>Liabilities:</b>								
Accounts payable and accrued liabilities	\$ 139,186	\$ 98	\$ 38,051	\$ -	\$ -	\$ 35,751	\$ 213,086	
Unearned income	-	-	-	-	-	5,420	5,420	
Due to other funds	9,932	45,077	-	-	-	56,454	111,463	
Total Liabilities	149,118	45,175	38,051	-	-	97,625	329,969	
<b>Nonspendable:</b>								
Inventory	-	-	-	-	-	16,278	16,278	
Permanent fund	-	-	-	-	860,699	-	860,699	
<b>Restricted:</b>								
Debt service	-	-	-	635,201	-	271,047	906,248	
Grant activities	-	-	-	-	-	446,688	446,688	
Forestry improvements	-	-	299,610	-	-	-	299,610	
Unemployment benefits	-	-	-	-	-	60,243	60,243	
<b>Assigned:</b>								
Activity funds and other school activities	263,824	-	-	-	-	-	263,824	
<b>Unassigned</b>	2,892,666	-	-	-	-	-	2,892,666	
Total Fund Balances	3,156,490	-	299,610	635,201	860,699	794,256	5,746,256	
Total Liabilities and Fund Balances	\$ 3,305,608	\$ 45,175	\$ 337,661	\$ 635,201	\$ 860,699	\$ 891,881	\$ 6,076,225	

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

**GREENE COUNTY SCHOOL DISTRICT**

**Governmental Funds**

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

**Exhibit C-1**

**Total fund balances for governmental funds** \$ 5,746,256

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	\$ 48,084	
Buildings	11,444,650	
Buildings improvements	2,108,241	
Improvements other than buildings	600,141	
Mobile equipment	2,725,498	
Furniture and equipment	734,648	
Accumulated depreciation	<u>(7,861,756)</u>	9,799,506

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	(19,408,932)	
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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	1,921,393	
Deferred inflows of resources related to pensions	<u>(3,494,478)</u>	(20,982,017)

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:

Three mill notes payable	(185,000)	
Qualified school construction bonds	(3,000,000)	
Shortfall notes payable	(143,397)	
Compensated absences payable	(149,221)	
Accrued interest payable	<u>(163,499)</u>	(3,641,117)

<b>Net position of governmental activities</b>	<u><u>\$ (9,077,372)</u></u>
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The notes to the financial statements are an integral part of this statement.

**GREENE COUNTY SCHOOL DISTRICT**

**Governmental Funds**

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

**Exhibit D**

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

	Major Funds						
	General Fund	Title I Fund	Forestry Escrow Fund	QSCB Sinking Fund	16th Section Principal Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>							
Local sources	\$ 4,272,206	\$ -	\$ -	\$ 9,874	\$ -	\$ 474,967	\$ 4,757,047
State sources	9,801,604	-	-	-	-	500,627	10,302,231
Federal sources	227,529	366,191	-	-	-	1,865,924	2,459,644
Sixteenth section sources	459,895	-	90,061	-	2,572	-	552,528
Total Revenues	14,761,234	366,191	90,061	9,874	2,572	2,841,518	18,071,450
<b>Expenditures:</b>							
Instruction	8,599,597	518,118	-	-	-	1,481,696	10,599,411
Support services	4,785,614	750	-	-	-	768,524	5,554,888
Noninstructional services	196,941	765	-	-	-	1,146,405	1,344,111
Sixteenth section sources	-	-	47,628	-	-	-	47,628
Debt service:							
Principal	-	-	-	-	-	234,830	234,830
Interest	-	-	-	168,500	-	18,058	186,558
Other	-	-	-	500	-	1,517	2,017
Total Expenditures	13,582,152	519,633	47,628	169,000	-	3,651,030	17,969,443
Excess (Deficiency) of Revenues over (under) Expenditures	1,179,082	(153,442)	42,433	(159,126)	2,572	(809,512)	102,007
<b>Other Financing Sources (Uses):</b>							
Payments held by QSCB debt escrow agent	-	-	-	147,147	-	-	147,147
Payment to QSCB debt escrow agent	-	-	-	-	-	(147,147)	(147,147)
Operating transfers in	8,211	-	-	22,853	-	1,047,226	1,078,290
Other financing sources	-	-	-	149,408	-	-	149,408
Operating transfers out	(1,036,896)	-	-	-	-	(41,394)	(1,078,290)
Total Other Financing Sources (Uses)	(1,028,685)	-	-	319,408	-	858,685	149,408
Net Change in Fund Balances	150,397	(153,442)	42,433	160,282	2,572	49,173	251,415
<b>Fund Balances:</b>							
July 1, 2014, as previously reported	1,524,860	-	257,177	474,919	858,127	2,381,553	5,496,636
Fund reclassification	1,634,675	-	-	-	-	(1,634,675)	-
Prior period adjustments	(153,442)	153,442	-	-	-	-	-
July 1, 2014, as restated	3,006,093	153,442	257,177	474,919	858,127	746,878	5,496,636
Increase (Decrease) in reserve for inventory	-	-	-	-	-	(1,795)	(1,795)
June 30, 2015	\$ 3,156,490	\$ -	\$ 299,610	\$ 635,201	\$ 860,699	\$ 794,256	\$ 5,746,256

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

**GREENE COUNTY SCHOOL DISTRICT**

**Governmental Funds**

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

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ 251,415

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	\$ 208,150	
Depreciation expense	<u>(506,622)</u>	(298,472)

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

Payments of debt principal	234,830	
Accrued interest payable	<u>6,324</u>	241,154

3. The statement of activities reports pension expense and other activity related to net pension liability:

Pension expense	(1,069,523)	
Contributions made after the measurement date	<u>1,618,619</u>	549,096

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

Change in compensated absences	(4,882)	
Change in inventory reserve	<u>(1,795)</u>	(6,677)

<b>Change in net position of governmental activities</b>	<u><u>\$ 736,516</u></u>
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The notes to the financial statements are an integral part of this statement.



**GREENE COUNTY SCHOOL DISTRICT**

**Fiduciary Funds**

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

**Exhibit E**

	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 884,885
Total Assets	<u>\$ 884,885</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 766,865
Due to student clubs	115,370
Due to other funds	2,650
Total Liabilities	<u>\$ 884,885</u>

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

# GREENE COUNTY SCHOOL DISTRICT

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

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

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

#### **A. Basis of Presentation**

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.

#### **B. Financial Reporting Entity**

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

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

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

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

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

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

## GREENE COUNTY SCHOOL DISTRICT

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

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

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

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

The school district reports the following major governmental funds:

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

Title I Fund – This is the school district's federal reimbursable fund that serves to fund remedial mathematics and reading services to low-income, program eligible students.

Forestry Escrow Fund – This fund is used to account for the sixteenth section forestry escrow activity for district.

QSCB Sinking Fund – This fund is used to account for sinking fund related to the qualified school construction bonds.

Sixteenth Section Principal Fund- This fund is used to account for the generation of revenues and expenditures associated with sixteenth section lands that are legally required to be accounted for in the Sixteenth Section Principal Fund. Those revenues include but are not limited to, sales of non-renewable resources, easements, interest on investments, loans to the district, and transfers.

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

The District's fiduciary funds include the following:

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

Payroll Clearing Fund - This fund is used to report the payroll resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of

## GREENE COUNTY SCHOOL DISTRICT

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

operations.

Student Club Fund Agency Funds – These funds are used to report student club resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

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

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.

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

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

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

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are

## GREENE COUNTY SCHOOL DISTRICT

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

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.

#### **E. Encumbrances**

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

#### **F. 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.

# GREENE COUNTY SCHOOL DISTRICT

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

### Investments

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

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

Investments for the district are reported at fair market value.

### 2. Receivables and payables

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

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

### 3. Due from Other Governments

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

### 4. Inventories and Prepaid Items

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

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

### 5. Restricted Assets

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

### 6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used

# GREENE COUNTY SCHOOL DISTRICT

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

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
Leased property under capital leases	*	*

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

### 7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The district reports \$1,921,393 of deferred outflows related to its pension plan.

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 future periods and so will not be recognized as an inflow of resources (revenue) until that time. The district reports \$3,494,478 of deferred inflows related to its pension plan.

See Note 8 and 13 for further details.

### 8. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required

## GREENE COUNTY SCHOOL DISTRICT

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

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

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

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

*Assigned fund balance* includes amounts that are constrained by the District's intent to be



## GREENE COUNTY SCHOOL DISTRICT

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

used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent and Business Manager pursuant to authorization by the policy adopted by the school district.

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

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

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

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

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

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

GREENE COUNTY SCHOOL DISTRICT

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$4,773,308 and \$884,885, 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.

Investments

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

Investment Type	Rating	Maturities (in years)	Fair Value
United States Treasuries	AA+	1 to 5	\$ 564,274
Total			<u>\$ 564,274</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 external investment pools, and other pooled investments. As of June 30, 2015, the district had the following investments:

Issuer	Fair Value	% of Total Investments
United States Treasuries	\$ <u>564,274</u>	100%

GREENE COUNTY SCHOOL DISTRICT

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

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

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

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

Receivable Fund	Payable Fund	Amount
General fund	Title I fund	\$ 45,077
	Other governmental funds	56,454
	Fiduciary funds	2,650
16th Section Principal fund	General fund	2,117
Other governmental funds	General fund	7,815
Total		<u>\$ 114,113</u>

The purpose of the inter-fund loans was to cover federal and state funds not received prior to year-end and amounts due from and amounts due to agency funds.

**B. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General fund	Other governmental funds	\$ 1,036,896
Other governmental funds	General fund	8,211
	QSCB sinking fund	22,853
	Other governmental funds	10,330
		<u>\$ 1,078,290</u>
Total		

The purpose of transfers was to provide funds for general operating activities. All transfers were routine and consistent with the fund making the transfer.

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance, totaling \$858,582 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.

In addition, restricted assets represent the cash and investment balance, totaling \$70,927 and \$564,274, respectively, of the QSCB debt service sinking fund.

Also, the restricted assets represent the cash balance, totaling \$126,610, of the debt service funds whose assets are restricted for future debt service requirements.

GREENE COUNTY SCHOOL DISTRICT

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

**Note 5 – Capital Assets**

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

	Balance 7/1/2014	Increases	Decreases	Balance 6/30/2015
<b>Governmental Activities:</b>				
<u>Non-depreciable capital assets:</u>				
Land	\$ 48,084	\$ -	\$ -	\$ 48,084
Total non-depreciable capital assets	48,084	-	-	48,084
<u>Depreciable capital assets:</u>				
Buildings	11,444,650	-	-	11,444,650
Building improvements	2,108,241	-	-	2,108,241
Improvements other than buildings	600,141	-	-	600,141
Mobile equipment	2,522,598	202,900	-	2,725,498
Furniture and equipment	729,398	5,250	-	734,648
Total depreciable capital assets	17,405,028	208,150	-	17,613,178
<u>Less accumulated depreciation for:</u>				
Buildings	4,281,537	191,110	-	4,472,647
Building improvements	552,811	84,330	-	637,141
Improvements other than buildings	386,039	12,913	-	398,952
Mobile equipment	1,712,689	158,065	-	1,870,754
Furniture and equipment	422,058	60,204	-	482,262
Total accumulated depreciation	7,355,134	506,622	-	7,861,756
Total depreciable capital assets, net	10,049,894	(298,472)	-	9,751,422
Governmental activities capital assets, net	\$ 10,097,978	\$ (298,472)	\$ -	\$ 9,799,506

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 95,483
Support services	401,088
Non-instructional	10,051
Total depreciation expense - Governmental activities	<u>\$ 506,622</u>

GREENE COUNTY SCHOOL DISTRICT

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

**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. Three mill notes payable	\$ 280,000	\$ -	\$ (95,000)	\$ 185,000	\$ 95,000
B. Qualified school construction bonds payable	3,000,000	-	-	3,000,000	-
C. Shortfall notes payable	283,227	-	(139,830)	143,397	143,397
D. Compensated absences payable	144,339	4,882	-	149,221	-
Total	<u>\$ 3,707,566</u>	<u>\$ 4,882</u>	<u>\$ (234,830)</u>	<u>\$ 3,477,618</u>	<u>\$ 238,397</u>

**A. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax notes	3.87%	11/1/2007	9/1/2016	\$ 1,200,000	\$ 185,000
Total				<u>\$ 1,200,000</u>	<u>\$ 185,000</u>

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 95,000	\$ 7,160	\$ 102,160
2017	90,000	3,483	93,483
Total	<u>\$ 185,000</u>	<u>\$ 10,643</u>	<u>\$ 195,643</u>

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

GREENE COUNTY SCHOOL DISTRICT

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

**B. 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:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Note, Series 2010 A & B	5.50%	10/29/2010	8/1/2025	\$2,000,000	\$ 2,000,000
Limited Tax Note, Series 2010 C	5.85%	10/29/2010	8/1/2025	1,000,000	1,000,000
Total				<u>\$3,000,000</u>	<u>\$ 3,000,000</u>

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

Year Ending June 30	Principal	Interest	Total
2016	\$ -	\$ 168,500	\$ 168,500
2017	-	168,500	168,500
2018	-	168,500	168,500
2019	-	168,500	168,500
2020	-	168,500	168,500
2021-2025	-	842,500	842,500
2026	3,000,000	168,500	3,168,500
Total	<u>\$ 3,000,000</u>	<u>\$ 1,853,500</u>	<u>\$ 4,853,500</u>

This debt will be retired from the QSCB sinking debt service fund.

**C. Shortfall notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall notes payable	2.55%	8/1/2012	8/1/2015	\$ 419,580	\$ 143,397
Total				<u>\$ 419,580</u>	<u>\$ 143,397</u>

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

# GREENE COUNTY SCHOOL DISTRICT

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 143,397	\$ 3,657	\$ 147,054
Total	<u>\$ 143,397</u>	<u>\$ 3,657</u>	<u>\$ 147,054</u>

This debt will be retired from the shortfall notes payable 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– Other Commitments

The district has several operating leases for 13 copiers and a postage meter. Lease expenditures for the year ended June 30, 2015, amounted to \$21,600. Future lease payments for this lease are as follows:

Year Ending June 30	Amount
2016	\$ 21,600
2017	10,800
Total	<u>\$ 32,400</u>

### Note 8 – Defined Benefit Pension Plan

#### General Information about the Pension Plan

*Plan Description.* The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 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

## GREENE COUNTY SCHOOL DISTRICT

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

members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2015, 2014 and 2013 were \$1,618,619, \$1,539,528 and \$1,451,356, 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 \$19,408,932 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 .15990 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$1,069,523. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



GREENE COUNTY SCHOOL DISTRICT

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 302,774	\$ -
Net difference between projected and actual earnings on pension plan investments	-	2,813,467
Changes of assumptions	-	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	681,011
District contributions subsequent to the measurement date	1,618,619	-
Total	\$ <u>1,921,393</u>	\$ <u>3,494,478</u>

\$1,618,619 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 ending June 30:	
2016	\$ 839,423
2017	839,423
2018	809,491
2019	703,367
Total	<u>\$ 3,191,704</u>

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

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

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

GREENE COUNTY SCHOOL DISTRICT

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

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	\$ 26,460,162	\$ 19,408,932	\$ 13,527,158

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

# GREENE COUNTY SCHOOL DISTRICT

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

### Note 9 – Prior Period Adjustments

A summary of significant Net Position adjustments is as follows:

#### Exhibit B - Statement of Activities

Explanation	Amount
1. Implementation of GASB 68 and 71:	
Net pension liability (measurement date)	\$ (23,070,135)
Deferred outflows - contributions made during fiscal year 2014	1,539,022
Total prior period adjustment related to GASB 68 and 71	(21,531,113)
Total	<u>\$ (21,531,113)</u>

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

Fund	Explanations	Amount
General Fund	To reimburse the Title I Fund for supplanting per the Mississippi Department of Education monitoring visit.	\$ (153,442)
Title I Fund	See above	153,442
	Total	<u>\$ -</u>

### Note 10 – Contingencies

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

**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 11 – Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except 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-

## GREENE COUNTY SCHOOL DISTRICT

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

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 12 – Fund Reclassification**

The Sixteenth Section Interest Fund's beginning fund balance of \$1,634,675 was reclassified from Special Revenue Funds to the General Fund, effective July 1, 2014. This change was necessary to meet the requirements of GASB 54 and to stay in compliance with the reporting requirements based on Sections 29-3-115 and 29-3-117, Miss. Code of 1972.

#### **Note 13 – Effect of Deferred Amounts on Net Position**

The unrestricted net position amount of (\$18,118,145) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$1,921,393 balance of the deferred outflow of resources at June 30, 2015 will be recognized as expenses and decrease unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$18,118,145) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$3,494,478 balance of the deferred inflow of resources at June 30, 2015 will be recognized as revenue and increase unrestricted net position over the next 4 years.

#### **Note 14 – Sixteenth Section Lands**

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

GREENE COUNTY SCHOOL DISTRICT

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

Year Ending June 30	Amount
2016	\$ 95,761
2017	95,761
2018	94,014
2019	42,720
2020	42,595
2021-2025	212,975
2026-2030	204,780
2031-2035	167,300
2036-2040	163,000
2041-2045	163,000
2046-2050	163,000
2051-2054	130,400
Total	<u>\$ 1,575,306</u>

**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 \$149,408

The school district makes equal annual payments into a sinking fund which is used to pay off 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 in the sinking fund at June 30, 2015 was \$564,274. In addition, at June 30, 2015, the QSCB debt service fund had \$70,927 in cash that will be used for future sinking funds deposits. 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.

GREENE COUNTY SCHOOL DISTRICT

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

Year Ending June 30		Amount
2016	\$	159,999
2017		169,998
2018		234,999
2019		234,999
2020		234,999
2021-2025		1,175,007
2026		235,005
Total	\$	<u>2,445,006</u>

**Note 16 - Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Greene County School District evaluated the activity of the district through October 10, 2017, (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

On July 30, 2015, the District entered into a master lease agreement in the amount of \$1,000,000 for the purchase of ten new school buses and other equipment.

On March 9, 2017, the District approved a bid of \$685,000, plus \$8,200 per month for 5 years, for a total cost of \$1,177,000 for Building to Building WAN circuits. This project has been approved for reimbursement by E-rate and the District will only be responsible for 10% of the total cost.

## REQUIRED SUPPLEMENTARY INFORMATION

**GREENE COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**

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

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 3,908,995	\$ 4,267,494	\$ 4,272,206	\$ 358,499	\$ 4,712
State sources	9,789,949	9,801,605	9,801,604	11,656	(1)
Federal sources	137,435	227,529	227,529	90,094	-
Sixteenth section sources	-	451,632	459,895	451,632	8,263
Total Revenues	13,836,379	14,748,260	14,761,234	911,881	12,974
<b>Expenditures:</b>					
Instruction	8,911,106	8,599,599	8,599,597	311,507	2
Support services	5,163,426	4,955,874	4,785,614	207,552	170,260
Noninstructional	178,000	196,943	196,941	(18,943)	2
Total Expenditures	14,252,532	13,752,416	13,582,152	500,116	170,264
Excess (Deficiency) of Revenues over (under) Expenditures	(416,153)	995,844	1,179,082	1,411,997	183,238
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	2,213,594	1,689,844	8,211	(523,750)	(1,681,633)
Proceeds of loans	400,000	-	-	(400,000)	-
Other financing sources	-	300	-	300	(300)
Operating transfers out	(2,612,443)	(2,530,246)	(1,036,896)	82,197	1,493,350
Total Other Financing Sources (Uses)	1,151	(840,102)	(1,028,685)	(841,253)	(188,583)
Net Change in Fund Balances	(415,002)	155,742	150,397	570,744	(5,345)
<b>Fund Balances:</b>					
July 1, 2014, as previously reported	1,005,250	1,524,860	1,524,860	519,610	-
Fund reclassification	-	1,634,675	1,634,675	1,634,675	-
Prior period adjustment	-	(153,442)	(153,442)	(153,442)	-
July 1, 2014, as restated	1,005,250	3,006,093	3,006,093	2,000,843	-
June 30, 2015	\$ 590,248	\$ 3,161,835	\$ 3,156,490	\$ 2,571,587	\$ (5,345)

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



**GREENE COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**

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

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 402,847	\$ 361,403	\$ 366,191	\$ (41,444)	\$ 4,788
Total Revenues	402,847	361,403	366,191	(41,444)	4,788
<b>Expenditures:</b>					
Instruction	370,415	518,118	518,118	(147,703)	-
Support services	20,358	750	750	19,608	-
Noninstructional	4,074	765	765	3,309	-
Total Expenditures	394,847	519,633	519,633	(124,786)	-
Excess (Deficiency) of Revenues over (under) Expenditures	8,000	(158,230)	(153,442)	(166,230)	4,788
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(8,000)	-	-	8,000	-
Total Other Financing Sources (Uses)	(8,000)	-	-	8,000	-
Net Change in Fund Balances	-	(158,230)	(153,442)	(158,230)	4,788
Fund Balances:					
July 1, 2014, as originally reported	-	-	-	-	-
Prior period adjustment		153,442	153,442	153,442	-
July 1, 2014, as restated	-	153,442	153,442	153,442	-
June 30, 2015	\$ -	\$ (4,788)	\$ -	\$ (4,788)	\$ 4,788

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

**GREENE COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**Forestry Escrow 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>					
Sixteenth section sources	\$ 45,500	\$ 67,899	\$ 90,061	\$ 22,399	\$ 22,162
Total Revenues	45,500	67,899	90,061	22,399	22,162
<b>Expenditures:</b>					
Sixteenth section	-	47,627	47,628	(47,627)	(1)
Total Expenditures	-	47,627	47,628	(47,627)	(1)
Excess (Deficiency) of Revenues over (under) Expenditures	45,500	20,272	42,433	(25,228)	22,161
Net Change in Fund Balances	45,500	20,272	42,433	(25,228)	22,161
Fund Balances:					
July 1, 2014	290,000	257,177	257,177	(32,823)	-
June 30, 2015	\$ 335,500	\$ 277,449	\$ 299,610	\$ (58,051)	\$ 22,161

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

**GREENE COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**

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

**PERS**

**Last 10 Fiscal Years\***

	<u>2015</u>
District's proportion of the net pension liability	\$ 19,408,932
District's proportionate share of the net pension liability	0.15990%
District's covered-employee payroll	\$ 9,771,568
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	198.63%
Plan fiduciary net position as a percentage of the total pension liability	67.21%

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

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

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

**GREENE COUNTY SCHOOL DISTRICT**  
**Required Supplementary Information**

**SCHEDULE OF DISTRICT CONTRIBUTIONS**

**PERS**

**Last 10 Fiscal Years\***

	<u>2015</u>
Contractually required contribution	\$ 1,618,619
Contributions in relation to the contractually required contribution	1,618,619
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$ 10,276,946
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.

## GREENE COUNTY SCHOOL DISTRICT

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

#### Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

#### Pension Schedules

(1) Changes of benefit terms

None.

(2) Changes of assumptions

None.

## SUPPLEMENTARY INFORMATION

**GREENE COUNTY SCHOOL DISTRICT**

**Supplementary Information**

**Schedule of Expenditures of Federal Awards**

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

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 281,425
National school lunch program	10.555	806,405
Total child nutrition cluster		<u>1,087,830</u>
Total passed-through Mississippi Department of Education		<u>1,087,830</u>
Passed-through Greene County:		
Schools and roads - grants to states	10.665	101,440
Total		<u>101,440</u>
<b>Total U.S. Department of Agriculture</b>		<u><u>1,189,270</u></u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	126,089
<b>Total Federal Communications Commission</b>		<u>126,089</u>
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	519,633
Career and technical education - basic grants to states	84.048	18,797
21st century community learning centers	84.287	154,037
Rural education	84.358	41,431
Improving teacher quality-State Grants	84.367	134,041
Subtotal		<u>867,939</u>
Special education cluster:		
Special education - grants to states	84.027	421,424
Special education - preschool grants	84.173	8,364
Total special education cluster		<u>429,788</u>
Total passed-through Mississippi Department of Education		<u>1,297,727</u>
<b>Total U.S. Department of Education</b>		<u><u>1,297,727</u></u>
Total for All Federal Awards		<u><u>\$ 2,613,086</u></u>

**NOTES TO SCHEDULE**

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.
4. Donated commodities of \$77,530 are included in the National School Lunch Program.

**GREENE COUNTY SCHOOL DISTRICT**

**Supplementary Information**

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

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

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 14,250,648	10,866,027	488,631	1,102,971	1,793,019
Other	3,718,795	745,295	315,764	52,596	2,605,140
Total	<u>\$ 17,969,443</u>	<u>11,611,322</u>	<u>804,395</u>	<u>1,155,567</u>	<u>4,398,159</u>
Total number of students *	<u>2,023</u>				
Cost per student	<u>\$ 8,883</u>	<u>5,740</u>	<u>398</u>	<u>571</u>	<u>2,174</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

**GREENE COUNTY SCHOOL DISTRICT**

**Other Information**

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

**General Fund**

**Last Four Years**

**UNAUDITED**

	2015	2014*	2013*	2012*
<b>Revenues:</b>				
Local sources	\$ 4,272,206	\$ 3,932,683	\$ 3,727,838	\$ 3,760,692
State sources	9,801,604	9,746,594	9,948,665	9,570,435
Federal sources	227,529	239,621	400,529	115,133
Sixteenth section sources	459,895	-	-	-
Total Revenues	14,761,234	13,918,898	14,077,032	13,446,260
<b>Expenditures:</b>				
Instruction	8,599,597	8,368,456	8,568,735	8,263,205
Support services	4,785,614	5,114,563	5,139,544	4,835,793
Noninstructional services	196,941	196,025	190,404	160,893
Debt service:				
Principal	-	-	-	68,197
Interest	-	-	-	1,613
Total Expenditures	13,582,152	13,679,044	13,898,683	13,329,701
Excess (Deficiency) of Revenues over (under) Expenditures	1,179,082	239,854	178,349	116,559
<b>Other Financing Sources (Uses):</b>				
Loan proceeds	-	-	419,580	-
Insurance loss recoveries	-	-	76,611	244,144
Payment to QSCB debt escrow agent	-	-	(144,999)	-
Operating transfers in	8,211	911,658	850,000	-
Other financing sources	-	31,521	-	-
Operating transfers out	(1,036,896)	(979,967)	(1,552,799)	(1,234,724)
Other financing uses	-	-	(5,013)	-
Total Other Financing Sources (Uses)	(1,028,685)	(36,788)	(356,620)	(990,580)
Net Change in Fund Balances	150,397	203,066	(178,271)	(874,021)
<b>Fund Balances:</b>				
Beginning of period, as previously reported	1,524,860	1,321,794	894,294	1,758,259
Fund reclassification	1,634,675	-	-	-
Prior period adjustment	(153,442)	-	605,771	10,056
Beginning of period, as restated	3,006,093	1,321,794	1,500,065	1,768,315
End of Period	\$ 3,156,490	\$ 1,524,860	\$ 1,321,794	\$ 894,294

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**GREENE COUNTY SCHOOL DISTRICT**

**Other Information**

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

**All Governmental Funds**

**Last Four Years**

**UNAUDITED**

	2015	2014*	2013*	2012*
<b>Revenues:</b>				
Local sources	\$ 4,757,047	\$ 4,406,981	\$ 4,141,352	\$ 4,599,308
State sources	10,302,231	10,204,158	10,391,104	9,985,067
Federal sources	2,459,644	2,394,622	2,679,755	3,490,608
Sixteenth section sources	552,528	426,752	925,033	524,254
<b>Total Revenues</b>	<b>18,071,450</b>	<b>17,432,513</b>	<b>18,137,244</b>	<b>18,599,237</b>
<b>Expenditures:</b>				
Instruction	10,599,411	10,019,984	10,295,898	10,950,218
Support services	5,554,888	5,939,967	6,280,590	5,727,949
Noninstructional services	1,344,111	1,328,744	1,315,418	1,240,881
Sixteenth section	47,628	67,515	30,003	18,048
Facilities acquisition and construction	-	-	-	1,958,715
Debt service:				
Principal	234,830	236,353	191,295	305,093
Interest	186,558	193,906	189,330	153,667
Other	2,017	2,517	2,785	29,173
<b>Total Expenditures</b>	<b>17,969,443</b>	<b>17,788,986</b>	<b>18,305,319</b>	<b>20,383,744</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>102,007</b>	<b>(356,473)</b>	<b>(168,075)</b>	<b>(1,784,507)</b>
<b>Other Financing Sources (Uses):</b>				
Loan proceeds	-	-	419,580	-
Insurance loss recoveries	-	-	76,611	244,144
Payments held by QSCB debt escrow agent	147,147	142,321	144,999	109,998
Payment to QSCB debt escrow agent	(147,147)	(142,321)	(144,999)	(109,998)
Operating transfers in	1,078,290	1,914,132	2,402,799	1,234,724
Other financing sources	149,408	178,514	161,000	-
Operating transfers out	(1,078,290)	(1,914,132)	(2,402,799)	(1,234,724)
Other financing uses	-	-	(5,013)	-
<b>Total Other Financing Sources (Uses)</b>	<b>149,408</b>	<b>178,514</b>	<b>652,178</b>	<b>244,144</b>
<b>Net Change in Fund Balances</b>	<b>251,415</b>	<b>(177,959)</b>	<b>484,103</b>	<b>(1,540,363)</b>
<b>Fund Balances:</b>				
Beginning of period, as originally reported	5,496,636	5,681,904	5,171,409	6,762,479
Prior period adjustment	-	-	22,735	(31,266)
<b>Beginning of period, as restated</b>	<b>5,496,636</b>	<b>5,681,904</b>	<b>5,194,144</b>	<b>6,731,213</b>
<b>Increase (Decrease) in reserve for inventory</b>	<b>(1,795)</b>	<b>(7,309)</b>	<b>3,657</b>	<b>(19,441)</b>
<b>End of Period</b>	<b>\$ 5,746,256</b>	<b>\$ 5,496,636</b>	<b>\$ 5,681,904</b>	<b>\$ 5,171,409</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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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  
Greene County School District  
Leakesville, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Greene County School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Greene County School District's basic financial statements, and have issued our report thereon dated October 10, 2017.

**Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness. [Finding 2015-001].

### **Compliance and Other Matters**

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

However, we did note certain immaterial instances of noncompliance with state laws and regulations that we reported to management of the school district in a separate letter dated October 10, 2017, which is included in this report.

The Greene County School District's responses to the findings identified in our audit are described in the accompanying Independent Auditor's Report on Compliance with State Laws and Regulations and the Auditee's Corrective Action Plan. We did not audit Greene County School District's responses and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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

A handwritten signature in dark ink that reads "Cunningham CPAs". The signature is written in a cursive, flowing style.

Cunningham CPAs, PLLC

Belzoni, Mississippi

October 10, 2017

**CUNNINGHAM CPAs, PLLC**  
Certified Public Accountants & Consultants

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

Superintendent and School Board  
Greene County School District  
Leakesville, Mississippi

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

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

**Basis for Qualified Opinion on CFDA 84.367 Improving Teacher Quality**

As described in the accompanying schedule of findings and questioned costs, Greene County School District did not comply with requirements regarding CFDA 84.367 Improving Teacher Quality as described in finding number 2015-002 for Cash Management. Compliance with such requirements is necessary, in our opinion, for Greene County School District to comply with the requirements applicable to that program.

### **Qualified Opinion on CFDA 84.367 Improving Teacher Quality**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Greene County School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 84.367 Improving Teacher Quality for the year ended June 30, 2015.

### **Basis for Qualified Opinion on CFDA 84.010 Title I – grants to local educational agencies**

As described in the accompanying schedule of findings and questioned costs, Greene County School District did not comply with requirements regarding CFDA 84.010 Title I – grants to local educational agencies as described in finding number 2015-003 for Level of Effort. Compliance with such requirements is necessary, in our opinion, for Greene County School District to comply with the requirements applicable to that program.

### **Qualified Opinion on CFDA 84.010 Title I – grants to local educational agencies**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Greene County School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 84.010 Title I – grants to local educational agencies for the year ended June 30, 2015.

### **Unmodified Opinion on Each of the Other Major Federal Programs**

In our opinion Greene County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

### **Report on Internal Control over Compliance**

Management of the Greene County School District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Greene County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Greene County School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-002 and 2015-003, that we consider to be material weaknesses.



Greene County School District's responses to the findings identified in our audit is described in the accompanying Auditee's Corrective Action Plan. Greene County School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.

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Cunningham CPAs, PLLC

Belzoni, Mississippi

October 10, 2017

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

**CUNNINGHAM CPAs, PLLC**  
Certified Public Accountants & Consultants

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

Superintendent and School Board  
Greene County School District  
Leakesville, Mississippi

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Greene County School District as of and for the year ended June 30, 2015, which collectively comprise Greene County School District's basic financial statements and have issued our report thereon dated October 10, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

**Finding No. 1:**

Code Section 37-61-21, Miss. Code Ann. (1972), states that final budget revisions, pertinent to a fiscal year, shall be approved on or before October 15<sup>th</sup> of each year. The District failed to amend its FY 2015 budget by the required October 15<sup>th</sup> deadline.

**Recommendation**

Code Section 37-61-21 should be followed.

**School District's Response**

The District shall have the final budget revisions approved on or before October 15<sup>th</sup> of each year.

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

The Greene County School District's response to the finding included in this report was not audited and, accordingly, we express no opinion on it.

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

A handwritten signature in dark ink that reads "Cunningham CPAs". The signature is written in a cursive, flowing style.

Cunningham CPAs, PLLC

Belzoni, Mississippi

October 10, 2017

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

GREENE COUNTY SCHOOL DISTRICT

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

Section I: Summary of Auditor's Results

Section 1: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

- |    |  |               |
|----|--|---------------|
| 4. | Internal control over major programs:  |               |
|    | a. Material weakness(es) identified?   | Yes           |
|    | b. Significant deficiency(ies) identified?   | None reported |
| 5. | Type of auditor's report issued on compliance for major programs:  |               |
|    | Title I - Grants to local educational agencies   | Qualified     |
|    | Improving Teacher Quality  | Qualified     |
|    | Child Nutrition Cluster  | Unmodified    |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | Yes           |
| 7. | Identification of major programs:  |               |
|    | A. Title I - Grants to local educational agencies:   |               |
|    | CFDA #   | 84.010        |
|    | B. Improving Teacher Quality   |               |
|    | CFDA #   | 84.367        |
|    | C. Child Nutrition Cluster:  |               |
|    | CFDA #   | 10.553        |
|    | CFDA #   | 10.555        |
| 8. | Dollar threshold used to distinguish between type A and type B programs:   | \$ 300,000    |
| 9. | Auditee qualified as a low-risk auditee?   | No            |

GREENE COUNTY 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 disclosed the following findings related to the financial statements that are required to be reported under *Government Auditing Standards*:

**Items considered to be a material weakness:**

2015-001:

**CRITERIA:** Management is responsible for establishing an internal control system that ensures strong financial accountability and safeguarding of assets. A critical aspect of financial management is the maintenance of accurate accounting records.

**CONDITION:** During our testing of expenditures and accounts payable, we noted that the district incorrectly accrued the fiscal year 2016 general and property insurance invoice of approximately \$170,000. This caused current year expenditures to be overstated. In addition, we noted the district is not properly recording the transactions of the QSCB Sinking Fund. The payments to the sinking fund were recorded as a debt service expenditure rather than an increase to the investment balance of the sinking fund. These errors were corrected by auditor adjustment.

**CAUSE OF CONDITION:** The cause of accruing the FY 2016 general and property insurance invoice is a result of not properly implementing the designed system of accounting controls to apply the correct cutoff to expenditures at year-end. The cause of not correctly recording the activity of the QSCB Sinking Fund is a result of not having procedures in place to properly reconcile the investment statements of the sinking fund to the general ledger.

**EFFECT OF CONDITION:** The effect of this condition resulted in the financial statements being materially misstated, requiring auditor adjustment.

**RECOMMENDATION:** It is recommended that the district properly follow its established policies and procedures to ensure strong financial accountability, proper safeguarding of assets, and accurate accounting records.

Section III: Federal Award Findings and Questioned Costs

The results of our tests disclosed the following findings and questioned costs related to the federal awards:

Material Noncompliance

2015-002      Cash Management

Finding

Program:      Passed through the Mississippi Department of Education:  
Improving Teacher Quality (Title II, Part A)  
CFDA # 84.367

Compliance Requirements:      Cash Management

**CRITERIA:** Federal funds should only be drawn down for immediate cash needs.

**CONDITION:** During our testing of cash management, we noted several months where the district maintained a positive cash balance in the Title II Fund due to drawing down federal funds in excess of immediate cash needs and in excess of actual expenditures.

GREENE COUNTY SCHOOL DISTRICT

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

CAUSE OF CONDITION: The cause is due to the district not using actual expenditures to make its request for reimbursement.

EFFECT OF CONDITION: The effect of this condition is noncompliance with the requirements of the Title II program.

RECOMMENDATION: We recommend the District implement controls to ensure that federal awards are drawn only for actual expenditures and only for immediate cash needs.

Material Noncompliance

2015-003      Supplement Not Supplant

Finding

Program:      Passed through the Mississippi Department of Education:  
Title I – grants to local educational agencies  
CFDA # 84.010

Compliance Requirements:      Level of Effort

CRITERIA: Federal programs should only be used to supplement and not supplant the funds that would, in the absence of such federal funds, be made available from non-federal purposes.

CONDITION: On October 16-17, 2014, the Mississippi Department of Education (MDE) conducted a monitoring visit of the consolidated federal programs of the Greene County School District. MDE found that Title I funds were supplanting state and local funds. MDE required the District Maintenance fund to reimburse the Title I fund in the amount of \$153,442.

CAUSE OF CONDITION: The cause is a result of not properly calculating student teacher ratios to ensure federal funds are used only to supplement state and local funds.

EFFECT OF CONDITION: The effect of this condition is noncompliance with the requirements of the Title I program.

RECOMMENDATION: We recommend the District implement controls to ensure that federal awards are used to supplement and not supplant state and local funds.



## GREENE COUNTY SCHOOL DISTRICT

Dennis Cochran, Business Administrator

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601-394-2364

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### AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section .315(c) of OMB Circular A-133, the Greene County School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2015:

#### Findings

#### Correction Action Plan Details

2015-001

- a. Name of Contact Person Responsible for Corrective Action:  
Dennis Cochran, Administrator (601) 394-2364
- b. Corrective Action Planned:  
We will implement policies or procedures to establish an internal control system that will ensure strong financial accountability, proper safeguarding of assets, and accurate accounting records.
- c. Anticipated Completion Date:  
Immediately.

2015-002

- a. Name of Contact Person Responsible for Corrective Action:  
Dennis Cochran, Administrator (601) 394-2364
- b. Corrective Action Planned:  
We will implement policies or procedures to strengthen internal controls over cash management.
- c. Anticipated Completion Date:  
Immediately.

2015-003

- a. Name of Contact Person Responsible for Corrective Action:  
Dennis Cochran, Administrator (601) 394-2364
- b. Corrective Action Planned:  
We will develop policies or procedures for calculating student teacher ratios to ensure federal funds are used only to supplement state and local funds.
- c. Anticipated Completion Date:  
Immediately.