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Kemper County School District

Audited Financial Statements
For the Year Ended June 30, 2015

Fortenberry & Ballard, PC
Certified Public Accountants

Kemper County School District

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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, the Schedule of the District’s Proportionate Share of the Net Pension Liability and the Schedule of District’s Contributions on pages 8 to 17 and 49 to 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kemper County School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2017, on our consideration of the Kemper 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 Kemper County School District's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
June 30, 2017

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following discussion and analysis of Kemper 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 \$10,052,347, including a prior period adjustment of (\$12,201,311) due primarily to the recording of the net pension liability, which represents a 117% decrease from fiscal year 2014. Total net position for 2014 increased \$2,798,697, including a prior period adjustment of (\$38,691), which represents a 48% increase from fiscal year 2013.
- General revenues amounted to \$12,611,622 and \$11,789,378, or 80% and 76% 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 \$3,192,139, or 20% of total revenues for 2015, and \$3,718,931, or 24% of total revenues for 2014.
- The District had \$13,654,797 and \$12,670,921 in expenses for fiscal years 2015 and 2014; only \$3,192,139 for 2015 and \$3,718,931 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$12,611,622 for 2015 and \$11,789,378 for 2014 were adequate to provide for these programs.
- Among major funds, the General Fund had \$12,019,894 in revenues and \$10,163,731 in expenditures for 2015, and \$11,715,009 in revenues and \$9,547,173 in expenditures in 2014. The General Fund's fund balance increased by \$1,270,847 from 2014 to 2015, and increased by \$1,691,792 from 2013 to 2014.
- Capital assets, net of accumulated depreciation, increased by \$19,804 for 2015 and increased by \$700,859 for 2014. The increase for 2015 was due to the ongoing construction and renovation of school facilities as well as the addition of mobile equipment and furniture and equipment.
- Long-term debt decreased by \$200,000 for 2015 and decreased by \$256,318 for 2014. The decrease for 2015 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$440 for 2015 and increased by \$3,172 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

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

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$1,453,562 as of June 30, 2015.

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

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

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

GASB 68 and 71 were implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68 and 71.

Table 1
Condensed Statement of Net Position

	June 30, 2015	June 30, 2014	Percentage Change
Current assets	\$ 5,402,569	\$ 4,032,214	33.99 %
Restricted assets	1,114,323	522,097	113.43 %
Capital assets, net	5,061,488	5,041,684	0.39 %
Total assets	11,578,380	9,595,995	20.66 %
 Deferred outflows of resources	 1,992,940	 -	 N/A
 Current liabilities	 185,263	 124,498	 48.81 %
Long-term debt outstanding	673,152	872,712	(22.87) %
Net pension liability	12,372,921	-	N/A
Total liabilities	13,231,336	997,210	1,226.84 %
 Deferred inflows of resources	 1,793,546	 -	 N/A
 Net position:			
Net investment in capital assets	4,446,488	4,226,684	5.20 %
Restricted	2,056,783	1,429,854	43.85 %
Unrestricted	(7,956,833)	2,942,247	(370.43) %
Total net position (deficit)	\$ (1,453,562)	\$ 8,598,785	(116.90) %

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)	\$ (7,956,833)
Less unrestricted deficit in net position resulting from implementation of GASB Statements No. 68 and 71	12,173,527
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 4,216,694</u>

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

- Increase in net capital assets in the amount of \$19,804.
- Implementation of GASB Statements No. 68 and 71 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. The net pension liability in the amount of \$12,372,921.

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

- The principal retirement of \$200,000 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$15,803,761 and \$15,508,309, respectively. The total cost of all programs and services was \$13,654,797 for 2015 and \$12,670,921 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 and 71 were implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68 and 71.

Table 2
Changes in Net Position

	Year Ended June 30, 2015	Year Ended June 30, 2014	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 325,743	\$ 403,851	(19.34) %
Operating grants and contributions	2,866,396	3,315,080	(13.53) %
General revenues:			
Property taxes	6,123,623	5,189,306	18.00 %
Grants and contributions not restricted	5,425,121	5,663,490	(4.21) %
Investment earnings	6,540	8,164	(19.89) %
Sixteenth section sources	1,028,177	846,127	21.52 %
Other	28,161	82,291	(65.78) %
Total revenues	15,803,761	15,508,309	1.91 %
Expenses:			
Instruction	6,610,780	6,430,182	2.81 %
Support services	5,045,423	5,269,770	(4.26) %
Non-instructional	793,799	863,660	(8.09) %
Sixteenth section	97,945	77,666	26.11 %
Pension expense	1,085,114	-	N/A
Interest on long-term liabilities	21,736	29,643	(26.67) %
Total expenses	13,654,797	12,670,921	7.76 %
Increase (Decrease) in net position	2,148,964	2,837,388	(24.26) %
Net Position, July 1, as previously reported	8,598,785	5,800,088	48.25 %
Prior Period Adjustment	(12,201,311)	(38,691)	(31,435.27) %
Net Position (Deficit), July 1, as restated	(3,602,526)	5,761,397	(162.53) %
Net Position (Deficit), June 30	\$ (1,453,562)	\$ 8,598,785	(116.90) %

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

Governmental activities

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

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

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage
	2015	2014	Change
Instruction	\$ 6,610,780	\$ 6,430,182	2.81 %
Support services	5,045,423	5,269,770	(4.26) %
Non-instructional	793,799	863,660	(8.09) %
Sixteenth section	97,945	77,666	26.11 %
Pension expense	1,085,114	-	N/A
Interest on long-term liabilities	21,736	29,643	(26.67) %
Total expenses	\$ 13,654,797	\$ 12,670,921	7.76 %

	Net (Expense) Revenue		Percentage
	2015	2014	Change
Instruction	\$ (5,214,069)	\$ (5,082,244)	(2.59) %
Support services	(4,254,065)	(3,948,029)	(7.75) %
Non-instructional	148,860	56,514	163.40 %
Sixteenth section	(36,534)	51,412	(171.06) %
Pension expense	(1,085,114)	-	N/A
Interest on long-term liabilities	(21,736)	(29,643)	26.67 %
Total net (expense) revenue	\$ (10,462,658)	\$ (8,951,990)	(16.88) %

- Net cost of governmental activities (\$10,462,658 for 2015 and \$8,951,990 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$6,123,623 for 2015 and \$5,189,306 for 2014) and state and federal revenues (\$5,425,121 for 2015 and \$5,663,490 for 2014). In addition, there was \$1,028,177 and \$846,127 in Sixteenth Section sources for 2015 and 2014, respectively.
- Investment earnings amounted to \$6,540 for 2015 and \$8,164 for 2014.

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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$6,335,095, an increase of \$1,900,816, which includes a prior period adjustment of (\$34) and a decrease in inventory of \$3,041. \$4,263,686, or 67% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted or assigned to specific purposes within the general fund. The remaining fund balance of \$2,071,409, or 33% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$1,270,847. The fund balance of Other Governmental Funds showed an increase in the amount of \$94,867, which includes a prior period adjustment of (\$34) and a decrease in inventory of \$3,041. 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
KCHS Football Field Renovation Fund	no increase or decrease
Sixteenth Section Principal Fund	\$ 535,102

BUDGETARY HIGHLIGHTS

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

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2015, the District's total capital assets were \$9,476,930, including land, construction in progress, school buildings, improvements other than buildings, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$266,223 from 2014 due primarily to the ongoing construction and renovation of school facilities and the purchase of various items of mobile equipment and furniture and equipment. Total accumulated depreciation as of June 30, 2015, was \$4,415,442, and total depreciation expense for the year was \$246,419, resulting in total net capital assets of \$5,061,488.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Land	\$ 25,410	\$ 25,410	0.00 %
Construction in Progress	181,330	-	N/A
Buildings	3,693,788	3,782,489	(2.35) %
Improvements other than buildings	7,685	7,685	0.00 %
Mobile equipment	1,117,176	1,196,468	(6.63) %
Furniture and equipment	36,099	29,632	21.82 %
Total	<u><u>\$ 5,061,488</u></u>	<u><u>\$ 5,041,684</u></u>	0.39 %

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

Debt Administration. At June 30, 2015, the District had \$673,152 in outstanding long-term debt, of which \$202,908 is due within one year. During the fiscal year, the District made a principal payment of \$200,000 on outstanding long-term debt. The liability for compensated absences increased \$440 from the prior year.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Limited obligation refunding bonds payable	\$ 615,000	\$ 815,000	(24.54) %
Compensated absences payable	58,152	57,712	0.76 %
Total	<u><u>\$ 673,152</u></u>	<u><u>\$ 872,712</u></u>	(22.87) %

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

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

CURRENT ISSUES

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Kemper County School District, P.O. Box 219, DeKalb, MS 39328.

FINANCIAL STATEMENTS

KEMPER COUNTY SCHOOL DISTRICT

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

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 4,442,655
Due from other governments	949,669
Inventories	10,245
Restricted assets	1,114,323
Capital assets, non-depreciable:	
Land	25,410
Construction in progress	181,330
Capital assets, net of accumulated depreciation:	
Buildings	3,693,788
Improvements other than buildings	7,685
Mobile equipment	1,117,176
Furniture and equipment	36,099
Total Assets	<u>11,578,380</u>
Deferred Outflows of Resources	
Deferred outflow related to pensions	<u>1,992,940</u>
Total Deferred Outflows of Resources	<u>1,992,940</u>
Liabilities	
Accounts payable and accrued liabilities	181,610
Unearned revenue	187
Interest payable on long-term liabilities	3,466
Long-term liabilities, due within one year:	
Capital related liabilities	200,000
Non-capital related liabilities	2,908
Long-term liabilities, due beyond one year:	
Capital related liabilities	415,000
Non-capital related liabilities	55,244
Net pension liability	<u>12,372,921</u>
Total Liabilities	<u>13,231,336</u>
Deferred Inflows of Resources	
Deferred inflow related to pensions	<u>1,793,546</u>
Total Deferred Inflows of Resources	<u>1,793,546</u>
Net Position	
Net investment in capital assets	4,446,488
Restricted for:	
Expendable:	
School-based activities	492,755
Debt service	112,813
Capital improvements	49
Forestry improvements	226,771
Unemployment benefits	52,621
Non-expendable:	
Sixteenth section	1,171,774
Unrestricted	<u>(7,956,833)</u>
Total Net Position (deficit)	<u>\$ (1,453,562)</u>

KEMPER COUNTY SCHOOL DISTRICT

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

Exhibit B

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 6,610,780	\$ 159,033	\$ 1,237,678	\$ (5,214,069)
Support services	5,045,423	-	791,358	(4,254,065)
Non-instructional	793,799	105,299	837,360	148,860
Sixteenth section	97,945	61,411	-	(36,534)
Pension expense	1,085,114	-	-	(1,085,114)
Interest on long-term liabilities	21,736	-	-	(21,736)
Total Governmental Activities	<u>\$ 13,654,797</u>	<u>\$ 325,743</u>	<u>\$ 2,866,396</u>	<u>\$ (10,462,658)</u>

General Revenues:

Taxes:

 General purpose levies

6,123,623

Unrestricted grants and contributions:

 State

5,293,454

 Federal

131,667

Unrestricted investment earnings

6,540

Sixteenth section sources

1,028,177

Other

28,161

 Total General Revenues

12,611,622

Change in Net Position

2,148,964

Net Position - Beginning, as previously reported

8,598,785

Prior Period Adjustments

(12,201,311)

Net Position (Deficit) - Beginning, as restated

(3,602,526)

Net Position (Deficit) - Ending

\$ (1,453,562)

KEMPER COUNTY SCHOOL DISTRICT
Governmental Funds

Exhibit C

Balance Sheet
June 30, 2015

	Major Funds					Total Governmental Funds
	General Fund	Title I Fund	KCHS Football Field Renovation Fund	Sixteenth Section Principal Fund	Other Governmental Funds	
Assets						
Cash and cash equivalents	\$ 3,588,224	\$ -	\$ 81,928	\$ 1,112,323	\$ 772,503	\$ 5,554,978
Cash with fiscal agents	-	-	-	-	2,000	2,000
Due from other governments	640,898	65,206	-	-	241,737	947,841
Due from other funds	179,028	-	-	-	3,129	182,157
Advance to other funds	-	-	-	59,451	-	59,451
Inventories	-	-	-	-	10,245	10,245
Total assets	\$ 4,408,150	\$ 65,206	\$ 81,928	\$ 1,171,774	\$ 1,029,614	\$ 6,756,672
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 77,893	\$ -	\$ 81,928	\$ -	\$ 21,789	\$ 181,610
Due to other funds	-	65,206	-	-	115,123	180,329
Advances from other funds	59,451	-	-	-	-	59,451
Unavailable revenue - federal programs	-	-	-	-	187	187
Total Liabilities	137,344	65,206	81,928	-	137,099	421,577
Fund Balances:						
Nonspendable:						
Inventory	-	-	-	-	10,245	10,245
Permanent fund principal	-	-	-	1,112,323	-	1,112,323
Advances	-	-	-	59,451	-	59,451
Restricted:						
Debt service	-	-	-	-	116,279	116,279
Capital projects	-	-	-	-	49	49
Forestry improvement purposes	-	-	-	-	226,771	226,771
Grant activities	-	-	-	-	159,168	159,168
Unemployment benefits	-	-	-	-	52,621	52,621
Child Nutrition	-	-	-	-	323,342	323,342
Assigned:						
Activity funds	7,120	-	-	-	-	7,120
Capital improvements	-	-	-	-	4,040	4,040
Unassigned	4,263,686	-	-	-	-	4,263,686
Total Fund Balances	4,270,806	-	-	1,171,774	892,515	6,335,095
Total Liabilities and Fund Balances	\$ 4,408,150	\$ 65,206	\$ 81,928	\$ 1,171,774	\$ 1,029,614	\$ 6,756,672

KEMPER 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 \$ 6,335,095

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	\$	25,410	
Construction in progress		181,330	
Buildings		6,427,498	
Improvements other than buildings		38,425	
Mobile equipment		2,388,459	
Furniture and equipment		415,808	
Accumulated depreciation		<u>(4,415,442)</u>	5,061,488

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		(12,372,921)	
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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		1,992,940	
Deferred inflows of resources related to pensions		<u>(1,793,546)</u>	(12,173,527)

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:

Limited obligation refunding bonds		(615,000)	
Compensated absences		(58,152)	
Accrued interest payable		<u>(3,466)</u>	(676,618)

Net Position of governmental activities		<u>\$ (1,453,562)</u>	
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KEMPER COUNTY SCHOOL DISTRICT

Governmental Funds

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2015

	Major Funds					Total Governmental Funds
	General Fund	Title I Fund	KCHS Football Field Renovation Fund	Sixteenth Section Principal Fund	Other Governmental Funds	
Revenues:						
Local sources	\$ 6,339,840	\$ -	\$ -	\$ -	\$ 77,520	\$ 6,417,360
State sources	5,054,659	-	-	-	615,320	5,669,979
Federal sources	131,667	619,905	-	-	1,869,967	2,621,539
Sixteenth section sources	493,728	-	-	539,496	61,659	1,094,883
Total Revenues	12,019,894	619,905	-	539,496	2,624,466	15,803,761
Expenditures:						
Instruction	5,860,133	391,189	-	-	985,869	7,237,191
Support services	4,213,248	77,935	-	-	1,010,617	5,301,800
Noninstructional services	75,759	10,670	-	-	772,439	858,868
Sixteenth section	10,968	-	-	-	86,977	97,945
Facilities acquisition and construction	-	-	159,255	-	22,075	181,330
Debt service:						
Principal	-	-	-	-	200,000	200,000
Interest	3,623	-	-	-	17,863	21,486
Other	-	-	-	-	1,250	1,250
Total Expenditures	10,163,731	479,794	159,255	-	3,097,090	13,899,870
Excess (Deficiency) of Revenues over (under) Expenditures	1,856,163	140,111	(159,255)	539,496	(472,624)	1,903,891
Other Financing Sources (Uses):						
Operating transfers in	86,794	-	159,255	-	681,840	927,889
Operating transfers out	(672,110)	(140,111)	-	(4,394)	(111,274)	(927,889)
Total Other Financing Sources (Uses)	(585,316)	(140,111)	159,255	(4,394)	570,566	-
Net Change in Fund Balances	1,270,847	-	-	535,102	97,942	1,903,891
Fund Balances:						
July 1, 2014, as previously reported	2,999,959	-	-	636,672	797,648	4,434,279
Prior period adjustments	-	-	-	-	(34)	(34)
July 1, 2014, as restated	2,999,959	-	-	636,672	797,614	4,434,245
Increase (Decrease) in inventory	-	-	-	-	(3,041)	(3,041)
June 30, 2015	\$ 4,270,806	\$ -	\$ -	\$ 1,171,774	\$ 892,515	\$ 6,335,095

The accompanying notes are an integral part of this statement.

KEMPER 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 \$ 1,903,891

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	\$ 266,223	
Depreciation expense	<u>(246,419)</u>	19,804

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	200,000	
Accrued interest payable	<u>1,000</u>	201,000

3. Some items reported in the statement of activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:

Recording of pension expense for the current period	(1,085,114)	
Recording of contributions made subsequent to the measurement date	<u>1,112,864</u>	27,750

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	(440)	
Change in inventory	<u>(3,041)</u>	(3,481)

Change in Net Position of governmental activities	<u>\$ 2,148,964</u>	
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KEMPER COUNTY SCHOOL DISTRICT**Fiduciary Funds****Statement of Fiduciary Assets and Liabilities
June 30, 2015****Exhibit E**

	Agency Funds
Assets	
Cash and cash equivalents	\$ 594,134
Total Assets	<u>\$ 594,134</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 570,607
Due to other funds	1,828
Due to student clubs	21,699
Total Liabilities	<u>\$ 594,134</u>

The accompanying notes are an integral part of this statement.

Kemper County School District

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

KEMPER 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. 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 board member is elected by the citizens of each defined county district.

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

B. Government-wide and Fund Financial Statements

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

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

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

KEMPER 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 a special revenue fund that accounts for the federal revenue received and expenditures incurred related to the District's Title I program.

KCHS Football Field Renovation Fund - This is a capital projects fund that accounts for the transfer in of general funds by the school district and the expenditures incurred for the renovation of the KCHS football field.

Sixteenth Section Principal Fund - This is a permanent fund consisting of funds derived from certain uses which shall be invested and only the interest and income derived from such funds shall be expendable by the school district.

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

KEMPER COUNTY SCHOOL DISTRICT

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

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

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

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

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

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements.

KEMPER COUNTY SCHOOL DISTRICT

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

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

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

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

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

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

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

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

KEMPER COUNTY SCHOOL DISTRICT

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

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

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

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

KEMPER COUNTY SCHOOL DISTRICT

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

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a

KEMPER COUNTY SCHOOL DISTRICT

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

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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The school district has incurred a deferred outflow which is presented as a deferred outflow related to pensions.

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

KEMPER COUNTY SCHOOL DISTRICT

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

applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The school district has incurred a deferred inflow which is presented as a deferred inflow related to pensions.

See Note 13 for further details.

8. Compensated Absences

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

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

KEMPER COUNTY SCHOOL DISTRICT

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

11. Fund Balances

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

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

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

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

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

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

KEMPER COUNTY SCHOOL DISTRICT

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

unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of not less than 7% of general revenues. If the unassigned fund balance at fiscal year-end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

F. New Pronouncements

In June 2012, the GASB issued GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. These statements establish 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. These Statements are effective for fiscal years beginning after June 15, 2014.

Note 2 – Cash and Cash Equivalents and Cash with Fiscal Agents

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.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$5,554,978 and \$594,134, respectively. The bank balance was \$7,689,848.

KEMPER COUNTY SCHOOL DISTRICT

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

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2015, none of the district's bank balance of \$7,689,848 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$2,000.

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	\$ 65,206
	Other governmental funds	111,994
	Fiduciary funds	1,828
Other governmental funds	Other governmental funds	3,129
Total		<u>\$ 182,157</u>

The purpose of the inter-fund loans was primarily to cover deficit cash balances. All balances are expected to be repaid within one year from the date of the financial statements.

B. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
Sixteenth Section Principal Fund	General Fund	<u>\$ 59,451</u>

Sixteenth section principal loans payable

The sixteenth section principal loans payable are not reflected on the Statement of Net Position because these funds were borrowed by the General Fund from the Sixteenth Section Trust Fund (Permanent Trust) in accordance with Section 29-3-113, Miss. Code

KEMPER COUNTY SCHOOL DISTRICT

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

Ann. (1972). The revenues and expenditures associated with these transactions are reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances.

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

Year Ending June 30	Principal	Interest	Total
2016	\$ <u>59,451</u>	\$ <u>1,296</u>	\$ <u>60,747</u>

C. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	KCHS Football Field Renovation Fund	\$ 159,255
	Other governmental funds	512,855
Title I Fund	Other governmental funds	140,111
Sixteenth Section Principal Fund	General Fund	4,394
Other governmental funds	General Fund	82,400
	Other governmental funds	28,874
Total		<u>\$ 927,889</u>

The interfund transfers were primarily for the following: indirect cost transfers, vocational and special education expenditure transfers, unemployment compensation transfers, the transfer of excess funds from Hancock Bank, the transfer of expendable sixteenth section funds to the General Fund, the transfer of general funds to various capital project funds, cost pool transfers, and other routine transfers. These transfers were consistent with the activities of the fund making the transfer.

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling \$1,112,323 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, the restricted assets represent the cash with fiscal agent balance totaling \$2,000 of the MAEP Limited Obligation Bond Fund.

Note 5 – Capital Assets

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

KEMPER COUNTY SCHOOL DISTRICT

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

	Balance 7/1/2014	Increases	Balance 6/30/2015
Governmental Activities:			
<u>Non-depreciable capital assets:</u>			
Land	\$ 25,410	\$	\$ 25,410
Construction-in-progress		181,330	181,330
Total non-depreciable capital assets	25,410	181,330	206,740
<u>Depreciable capital assets:</u>			
Buildings	6,427,498		6,427,498
Improvements other than buildings	38,425		38,425
Mobile equipment	2,323,530	64,929	2,388,459
Furniture and equipment	395,844	19,964	415,808
Total depreciable capital assets	9,185,297	84,893	9,270,190
<u>Less accumulated depreciation for:</u>			
Buildings	2,645,009	88,701	2,733,710
Improvements other than buildings	30,740		30,740
Mobile equipment	1,127,062	144,221	1,271,283
Furniture and equipment	366,212	13,497	379,709
Total accumulated depreciation	4,169,023	246,419	4,415,442
Total depreciable capital assets, net	5,016,274	(161,526)	4,854,748
Governmental activities capital assets, net	\$ 5,041,684	\$ 19,804	\$ 5,061,488

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 73,004
Support services	153,430
Non-instructional	19,985
Total depreciation expense	\$ 246,419

Construction in progress is composed of:

	Spent to June 30, 2015	Remaining Commitment
KCHS Football Field Renovation	\$ 159,255	25,242
KCHS JRPTC Project	22,075	558,924
Total construction in progress	\$ 181,330	584,166

Construction projects included in governmental activities are funded with the District Maintenance Fund.

KEMPER 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. Limited obligation refunding bonds payable	\$ 815,000	\$	200,000	\$ 615,000	\$ 200,000
B. Compensated absences payable	57,712	440		58,152	2,908
Total	\$ 872,712	\$ 440	\$ 200,000	\$ 673,152	\$ 202,908

A. Limited obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds, Series 2010	2.0-2.5%	12/17/2010	4/1/2018	\$ 1,345,000	\$ 615,000

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 200,000	\$ 13,862	\$ 213,862
2017	205,000	9,863	214,863
2018	210,000	5,250	215,250
Total	\$ 615,000	\$ 28,975	\$ 643,975

This debt will be retired from the MAEP Debt Service Fund.

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage.

KEMPER COUNTY SCHOOL DISTRICT

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

B. Compensated absences payable

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

Note 7 – Other Commitments

Commitments under construction contracts are described in Note 6.

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 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

KEMPER COUNTY SCHOOL DISTRICT

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

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 \$1,112,864, \$980,569 and \$829,161, 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 \$12,372,921 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2014, the school district's proportion was 0.101934 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$1,085,114. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 193,014	\$
Net difference between projected and actual earnings on pension plan investments		1,793,546
Changes of assumptions		
Changes in proportion and differences between District contributions and proportionate share of contributions	687,062	
District contributions subsequent to the measurement date	1,112,864	
Total	\$ <u>1,992,940</u>	\$ <u>1,793,546</u>

KEMPER COUNTY SCHOOL DISTRICT

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

\$1,112,864 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (131,812)
2017	(131,812)
2018	(201,458)
2019	(448,388)

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 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:

KEMPER COUNTY SCHOOL DISTRICT

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

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

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

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

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
District's proportionate share of the net pension liability	\$ 16,867,981	\$ 12,372,921	\$ 8,623,373

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

Note 9 – Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall

KEMPER COUNTY SCHOOL DISTRICT

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

assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30	Amount
2016	\$ 143,054
2017	131,798
2018	88,256
2019	76,469
2020	65,077
2021 – 2025	263,319
2026 – 2030	125,083
2031 – 2035	88,732
2036 – 2040	67,851
Thereafter	69,247
Total	<u>\$ 1,118,886</u>

Note 10 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Implementation of GASB 68 and 71:	
Net pension liability (measurement date)	\$ (13,181,846)
Deferred outflows - contributions made during fiscal year 2014	<u>980,569</u>
Total prior period adjustment related to GASB 68 and 71	\$ (12,201,277)
2. To correct for overstatement of prior year receivable at governmental fund level.	(34)
Total	<u>\$ (12,201,311)</u>

KEMPER COUNTY SCHOOL DISTRICT

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

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

Fund	Explanation	Amount
Other governmental funds	To correct for overstatement of prior year receivable.	\$ <u>(34)</u>

Note 11 – Contingencies

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

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

Note 12 – Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 77 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation

KEMPER COUNTY SCHOOL DISTRICT

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

Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 13 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$7,956,833) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$1,992,940 balance of deferred outflow of resources, at June 30, 2015 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$7,956,833) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$1,793,546 balance of deferred inflow of resources, at June 30, 2015 will be recognized as a revenue and will increase the unrestricted net position over the next 4 years.

Note 14 – 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 Kemper County School District evaluated the activity of the District through the date the financial statements were available to be issued, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

KEMPER 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
Revenues:					
Local sources	\$ 7,603,649	\$ 5,777,908	\$ 6,339,840	\$ (1,825,741)	\$ 561,932
State sources	5,066,092	5,057,197	5,054,659	(8,895)	(2,538)
Federal sources	203,000	131,667	131,667	(71,333)	-
Sixteenth section sources	-	734,479	493,728	734,479	(240,751)
Total Revenues	12,872,741	11,701,251	12,019,894	(1,171,490)	318,643
Expenditures:					
Instruction	5,793,385	5,866,909	5,860,133	(73,524)	6,776
Support services	5,021,009	4,279,641	4,213,248	741,368	66,393
Noninstructional services	73,779	75,759	75,759	(1,980)	-
Sixteenth section	-	11,199	10,968	(11,199)	231
Debt service:					
Principal	57,124	57,124	-	-	57,124
Interest	3,623	3,623	3,623	-	-
Total Expenditures	10,948,920	10,294,255	10,163,731	654,665	130,524
Excess (Deficiency) of Revenues over (under) Expenditures	1,923,821	1,406,996	1,856,163	(516,825)	449,167
Other Financing Sources (Uses):					
Operating transfers in	773,639	968,806	86,794	195,167	(882,012)
Operating transfers out	(2,697,460)	(1,556,660)	(672,110)	1,140,800	884,550
Total Other Financing Sources (Uses)	(1,923,821)	(587,854)	(585,316)	1,335,967	2,538
Net Change in Fund Balances	-	819,142	1,270,847	819,142	451,705
Fund Balances:					
July 1, 2014	-	3,071,530	2,999,959	3,071,530	(71,571)
June 30, 2015	\$ -	\$ 3,890,672	\$ 4,270,806	\$ 3,890,672	\$ 380,134

KEMPER COUNTY SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

Title I Fund

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 632,879	\$ 619,905	\$ 619,905	\$ (12,974)	\$ -
Total Revenues	632,879	619,905	619,905	(12,974)	-
Expenditures:					
Instruction	436,730	391,189	391,189	45,541	-
Support services	196,149	77,935	77,935	118,214	-
Noninstructional services	-	10,670	10,670	(10,670)	-
Total Expenditures	632,879	479,794	479,794	153,085	-
Excess (Deficiency) of Revenues over (under) Expenditures	-	140,111	140,111	140,111	-
Other Financing Sources (Uses):					
Operating transfers out	-	(140,111)	(140,111)	(140,111)	-
Total Other Financing Sources (Uses)	-	(140,111)	(140,111)	(140,111)	-
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2014	-	-	-	-	-
June 30, 2015	\$ -	\$ -	\$ -	\$ -	\$ -

Kemper County School District

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

PERS

Last 10 Fiscal Years*

	2015
District's proportion of the net pension liability (asset)	\$ <u>12,372,921</u>
District's proportionate share of the net pension liability (asset)	0.101934%
District's covered - employee payroll	6,225,835
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	198.74%
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.

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

	2015
Contractually required contribution	\$ 1,112,864
Contributions in relation to the contractually required contribution	1,112,864
Contribution deficiency (excess)	\$ -
District's covered - employee payroll	7,065,803
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.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Kemper County School District

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

Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) Changes of benefit terms

None.

(2) Changes of assumptions

None.

SUPPLEMENTARY INFORMATION

KEMPER COUNTY SCHOOL DISTRICT

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 Number	Federal Expenditures
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U. S. DEPARTMENT OF AGRICULTURE

Passed-through the Mississippi Department of Education:

Child Nutrition Cluster:

School Breakfast Program	10.553	\$ 272,915
National School Lunch Program	10.555	605,986
Summer Food Service Program for Children	10.559	46,805
Total child nutrition cluster		925,706
Child and Adult Care Food Program	10.558	3,159
Total passed-through Mississippi Department of Education		928,865
TOTAL U. S. DEPARTMENT OF AGRICULTURE		928,865

U.S. DEPARTMENT OF DEFENSE

Direct Program:

Reserve Officers' Training Corps	12.xxx	25,242
TOTAL U.S. DEPARTMENT OF DEFENSE		25,242

U. S. DEPARTMENT OF EDUCATION

Passed-through the Mississippi Department of Education:

Title I Grants to Local Educational Agencies	84.010	619,905
Career and Technical Education - Basic Grants to States	84.048	20,715
Twenty-First Century Community Learning Centers	84.287	81,571
Rural Education	84.358	22,017
Supporting Effective Instruction State Grant	84.367	121,238
Subtotal		865,446

Special Education Cluster:

Special Education - Grants to States	84.027	212,482
Special Education - Preschool Grants	84.173	2,145
Total Special Education Cluster		214,627

School Improvements Grant Cluster:

School Improvement Grants	84.377	1,700
ARRA - School Improvement Grants, Recovery Act	84.388	470,387
Total School Improvement Grants Cluster		472,087
Total passed-through the Mississippi Department of Education		1,552,160
TOTAL U. S. DEPARTMENT OF EDUCATION		1,552,160

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Passed-through Mississippi Department of Education:

Medical Assistance Program	93.778	9,854
Total passed-through Mississippi Department of Education		9,854
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		9,854

TOTAL FOR ALL FEDERAL AWARDS	\$	2,516,121
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Notes to Schedule

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

KEMPER COUNTY SCHOOL DISTRICT**Schedule 2**

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	\$ 9,772,023	6,933,678	622,136	609,467	1,606,742
Other	4,127,847	1,601,330	256,392	74,420	2,195,705
Total	\$ <u>13,899,870</u>	<u>8,535,008</u>	<u>878,528</u>	<u>683,887</u>	<u>3,802,447</u>
Total number of students *	<u>1,003</u>				
Cost per student	\$ <u>13,858</u>	<u>8,509</u>	<u>876</u>	<u>682</u>	<u>3,791</u>

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

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

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

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

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

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

OTHER INFORMATION

KEMPER COUNTY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

"UNAUDITED"

	2015	2014*	2013*	2012*
Revenues:				
Local sources	\$ 6,339,840	5,423,468	2,436,611	1,939,478
State sources	5,054,659	5,274,330	4,973,654	4,940,859
Federal sources	131,667	170,888	168,043	227,165
Sixteenth section sources	493,728	846,323	400,403	-
Total Revenues	<u>12,019,894</u>	<u>11,715,009</u>	<u>7,978,711</u>	<u>7,107,502</u>
Expenditures:				
Instruction	5,860,133	4,905,137	4,399,225	4,064,503
Support services	4,213,248	4,596,500	3,244,384	2,918,193
Noninstructional services	75,759	23,890	22,913	13,235
Sixteenth section	10,968	15,787	18,689	-
Debt service:				
Interest	3,623	5,859	8,008	10,073
Total Expenditures	<u>10,163,731</u>	<u>9,547,173</u>	<u>7,693,219</u>	<u>7,006,004</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,856,163</u>	<u>2,167,836</u>	<u>285,492</u>	<u>101,498</u>
Other Financing Sources (Uses):				
Insurance recovery	-	-	-	10,779
Sale of transportation equipment	-	-	-	6,017
Operating transfers in	86,794	50,273	747,882	470,053
Operating transfers out	(672,110)	(526,317)	(665,134)	(488,254)
Total Other Financing Sources (Uses)	<u>(585,316)</u>	<u>(476,044)</u>	<u>82,748</u>	<u>(1,405)</u>
Net Change in Fund Balances	<u>1,270,847</u>	<u>1,691,792</u>	<u>368,240</u>	<u>100,093</u>
Fund Balances:				
July 1, as previously reported	2,999,959	1,308,167	939,381	844,607
Prior period adjustment	-	-	546	(5,319)
July 1, as restated	<u>2,999,959</u>	<u>1,308,167</u>	<u>939,927</u>	<u>839,288</u>
June 30,	<u>\$ 4,270,806</u>	<u>2,999,959</u>	<u>1,308,167</u>	<u>939,381</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

KEMPER COUNTY SCHOOL DISTRICT

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

"UNAUDITED"

	2015	2014*	2013*	2012*
Revenues:				
Local sources	\$ 6,417,360	5,547,768	2,797,922	2,182,400
State sources	5,669,979	5,749,892	5,419,598	5,408,359
Federal sources	2,621,539	3,228,677	3,337,086	3,550,370
Sixteenth section sources	1,094,883	981,972	465,606	698,317
Total Revenues	<u>15,803,761</u>	<u>15,508,309</u>	<u>12,020,212</u>	<u>11,839,446</u>
Expenditures:				
Instruction	7,237,191	6,354,262	6,039,092	6,071,487
Support services	5,301,800	6,063,164	6,654,274	5,385,835
Noninstructional services	858,868	850,041	785,745	724,804
Sixteenth section	97,945	77,666	89,185	129,069
Facilities acquisition and construction	181,330			
Debt service:				
Principal	200,000	256,318	366,227	314,943
Interest	21,486	29,618	42,163	61,562
Other	1,250	1,000	1,000	1,000
Total Expenditures	<u>13,899,870</u>	<u>13,632,069</u>	<u>13,977,686</u>	<u>12,688,700</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,903,891</u>	<u>1,876,240</u>	<u>(1,957,474)</u>	<u>(849,254)</u>
Other Financing Sources (Uses):				
Insurance recovery		-	1,650,420	1,270,252
Sale of transportation equipment		-	-	6,017
Sale of other property		-	-	158
Operating transfers in	927,889	603,805	1,414,205	961,394
Operating transfers out	(927,889)	(603,805)	(1,414,205)	(961,394)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>1,650,420</u>	<u>1,276,427</u>
Net Change in Fund Balances	<u>1,903,891</u>	<u>1,876,240</u>	<u>(307,054)</u>	<u>427,173</u>
Fund Balances:				
July 1, as previously reported	4,434,279	2,590,562	2,898,616	2,484,953
Prior period adjustments	(34)	(38,691)	546	(5,319)
July 1, as restated	<u>4,434,245</u>	<u>2,551,871</u>	<u>2,899,162</u>	<u>2,479,634</u>
Increase (Decrease) in inventory	(3,041)	6,168	(1,546)	(8,191)
June 30,	<u>\$ 6,335,095</u>	<u>4,434,279</u>	<u>2,590,562</u>	<u>2,898,616</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Kemper County School District

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

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Kemper 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 Kemper County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Kemper 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 and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2015-001 to be a material weakness.

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

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 significant deficiency as Finding 2015-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Kemper 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*.

Kemper County School District's Responses to Findings

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

Purpose of this Report

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
June 30, 2017

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Kemper County School District

Report on Compliance for Each Major Federal Program

We have audited Kemper 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 Kemper County School District's major federal programs for the year ended June 30, 2015. The Kemper County School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Findings 2015-002 and 2015-003. Our opinion on each major federal program is not modified with respect to these matters.

Kemper County School District's responses to the noncompliance findings identified in our audit are described in the auditee's corrective action plan. Kemper 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.

Report on Internal Control Over Compliance

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

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

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

did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Findings 2015-002 and 2015-003 that we consider to be significant deficiencies.

Kemper County School District's responses to the internal control over compliance findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. Kemper 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.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
June 30, 2017

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Kemper County School District

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

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

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

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

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

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

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

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 and the State Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
June 30, 2017

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Kemper County School District

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

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? Yes.
5. Type of auditor's report issued on compliance for major programs: Unmodified.
6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes.
7. Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555 & 10.559	Child Nutrition Cluster
84.377 & 84.388	School Improvement Grant Cluster

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

Section II: Financial Statement Findings

The results of our tests disclosed the following finding related to the financial statements that is required to be reported under *Government Auditing Standards*:

Material Weakness:

Finding 2015-001:

Criteria:

Controls are not in place to monitoring accumulated leave balances.

Condition:

The District's system of internal control did not prevent nor detect misuse of accumulated leave.

Cause:

This condition exists due to poor oversight and monitoring of the payroll function.

Effect:

As a result of the breakdown in controls and the misuse of accumulated leave balances, an investigation has been launched by the Mississippi Office of the State Auditor. Changes in personnel have been made as a result of discovery of this matter.

Recommendation:

We recommend the district implement stronger internal controls.

Significant Deficiency:

Finding 2015-002:

Criteria:

An effective system of internal controls require the bank reconciliations to be prepared timely and any identified unreconciled differences be resolved in a timely manner.

Condition:

During the course of our audit, the auditors noted double booked entries.

Cause:

This is the result of improper internal controls being in place to ensure all differences and errors are resolved in a timely manner.

Effect:

Cash and other deposits in the District Maintenance Fund was overstated by \$240,751 and overstated by \$570,948 in the Fiduciary Funds. Audit adjustments were proposed and accepted to correct the differences.

Recommendation:

Policies and procedures should be implemented to ensure all bank statements reconciliations be completed on a timely basis and that all differences be reviewed and resolved promptly.

Section III: Findings and Questioned Costs for Federal Awards

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

Significant Deficiencies and Noncompliance:

Finding 2015-003:

Program: Child Nutrition Cluster
CFDA Number: 10.553, 10.555 & 10.559

Compliance Requirement: Reporting

Criteria:

A sound system of internal controls over compliance should be in place to ensure that the software system is evaluated and corrected as information is transferred from the participation reports to the monthly claims request.

Condition:

Inadequate internal controls exist within the Child Nutrition department regarding the accuracy of the number of participants from the monthly Daily Participation Report not being properly and accurately reconciled to the monthly claims submitted.

Cause:

The Child Nutrition Director did not check to ensure that information was being correctly reported within the system.

Effect:

The Child Nutrition Director requested reimbursement for the wrong amount of meals claimed under free status.

Recommendation:

The school district should implement controls to ensure information is being reported correctly.

Finding 2015-004:

CFDA Program: Child Nutrition Cluster
CFDA Number: 10.553, 10.555 & 10.559
Compliance Requirement: Reporting

Criteria:

7 CFR Part 210.8 states that in order for the school district to be entitled to reimbursement, they shall submit to the Office of Child nutrition a monthly claim for reimbursement. The policies and Procedures Manual for Child Nutrition Programs in Mississippi states that this claim is due at the Office of Child Nutrition on the 10th of the month following the reporting month.

Condition:

During the course of our audit, the auditor found that four of the ten monthly cash requests tested were not submitted timely.

Cause:

The schools in the district are not submitting lunchroom information to the Director of Child Nutrition in a timely manner to prepare monthly claims within the required time frame of the 10th of the month following the reporting month.

Effect:

Inadequate controls could result in the district forfeiting its reimbursement or not receiving the funds in a timely manner.

Recommendation:

The school district should ensure cash management requests are submitted within 10 days of the following month so funds are received in a timely manner.

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



Jackie Pollock
Superintendent

KEMPER COUNTY SCHOOLS

Post Office Box 219
DeKalb, Mississippi 39328

"Together We Can Make A Difference"

Phone (601) 743-2657
Fax (601) 743-9297

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section 315(c) of OMB Circular A-133, the Kemper 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:

Finding

2015-001

Corrective Action Plan Details

a. Name of Contact Person Responsible for Corrective Action

Name: KaKeisha Smoot

Title: Business Manager

Phone Number: 601-743-2657

b. Corrective Action Planned:

Implement stronger internal controls to ensure appropriate documentation and use of accumulated leave balances

c. Anticipated Completion Date:

June 30, 2017

2015-002

Corrective Action Plan Details

a. Name of Contact Person Responsible for Corrective Action

Name: KaKeisha Smoot

Title: Business Manager

Phone Number: 601-743-2657

b. Corrective Action Planned:

Implement policies and procedures to ensure all bank statement reconciliations are completed in a timely manner



The Kemper County School District
has as its mission to provide a quality education for the children of Kemper County Schools.

and all differences reviewed and resolved promptly each month.

- c. Anticipated Completion Date:

June 30, 2017

2015-003

- a. Name of Contact Person Responsible for Corrective Action

Name: Amanda Williams

Title: Child Nutrition Director

Phone Number: 601-743-5292

- b. Corrective Action Planned:

Implement internal controls to ensure information concerning the number of participants from the monthly Daily Participation Report transfers accurately to monthly claims submitted for reimbursement.

- c. Anticipated Completion Date:

June 30, 2017

2015-004

- a. Name of Contact Person Responsible for Corrective Action

Name: Amanda Williams

Title: Child Nutrition Director

Phone Number: 601-743-5292

- b. Corrective Action Planned:

Implement internal controls to ensure monthly claims are prepared and submitted within the required time frame of the 10th of the month following the reporting month.

- c. Anticipated Completion Date:

June 30, 2017



Jackie Pollock
Superintendent

KEMPER COUNTY SCHOOLS

**Post Office Box 219
DeKalb, Mississippi 39328**

"Together We Can Make A Difference"

**Phone (601) 743-2657
Fax (601) 743-9297**

SUMMARY OF PRIOR AUDIT FINDINGS

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

<u>Finding</u>	<u>Status</u>
2014-002	Not Corrected (See Finding 2015-002)



The Kemper County School District
has as its mission to provide a quality education for the children of Kemper County Schools.