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ALCORN SCHOOL DISTRICT
AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016



Certified Public Accountants

**ALCORN SCHOOL DISTRICT
CORINTH, MISSISSIPPI**

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Certified Public Accountants

Member of:
American Institute of Certified Public Accountants
Alabama Society of Certified Public Accountants
Mississippi Society of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Superintendent and School Board
Alcorn 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 Alcorn School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Alcorn 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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of

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Iuka, Mississippi
Phone: (662)423-5057

the Alcorn School District, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 4-12, 43-47, 48, and 49, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Alcorn School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2017, on our consideration of the Alcorn 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 the 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 Alcorn School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "The Sparks CPA Firm, P.C." in a cursive, flowing script.

The Sparks CPA Firm, P.C.
Certified Public Accountants
Booneville, Mississippi
September 25, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

**ALCORN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

The following discussion and analysis of Alcorn School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2016. 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 2016 increased \$381,240, including a prior period adjustment of (\$46,180), which represents a 1.81% increase from fiscal year 2015. Total net position for 2015 decreased \$33,878,686, including a prior period adjustment of (\$35,903,443), which represents a 263.33% decrease from fiscal year 2014.
- General revenues amounted to \$24,581,407 and \$24,307,120, or 81.66% and 82.65% of all revenues for fiscal years 2016 and 2015, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,522,074, or 18.34% of total revenues for 2016, and \$5,103,274, or 17.35% of total revenues for 2015.
- The District had \$29,676,061 and \$27,385,637 in expenses for fiscal years 2016 and 2015; only \$5,522,074 for 2016 and \$5,103,274 for 2015 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$24,581,410 for 2016 and \$24,307,120 for 2015 were adequate to provide for these programs.
- Among major funds, the General Fund had \$24,428,152 in revenues and \$23,757,545 in expenditures for 2016, and \$23,933,193 in revenues and \$22,924,155 in expenditures in 2015. The General Fund's fund balance increased by \$404,155 from 2015 to 2016, and increased by \$841,064 from 2014 to 2015.
- Capital assets, net of accumulated depreciation, decreased by \$66,177 for 2016 and decreased by \$529,879 for 2015. The decrease for 2016 was due to the addition of mobile equipment, furniture and equipment, and disposal of leased property coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$756,358 for 2016 and decreased by \$755,454 for 2015. This decrease for 2016 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$54,330 for 2016 and decreased by \$7,830 for 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

**ALCORN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

**ALCORN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

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.

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

**ALCORN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

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 \$20,632,008 as of June 30, 2016.

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, 2016 and June 30, 2015.

**Table 1
Condensed Statement of Net Position**

	June 30, 2016	June 30, 2015	Percentage Change
Current assets	\$ 6,216,103	\$ 5,946,076	4.54 %
Restricted assets	1,016,607	853,079	19.17 %
Capital assets, net	13,701,236	13,767,413	-0.48 %
Total assets	20,933,946	20,566,568	1.79 %
 Deferred outflows of resources	 7,184,841	 3,114,457	 130.69 %
 Current liabilities	 214,064	 189,626	 12.89 %
Long-term debt outstanding	5,272,792	6,083,480	-13.33 %
Net pension liability	40,841,656	32,994,578	23.78 %
Total liabilities	46,328,512	39,267,684	17.98 %
 Deferred inflows of resources	 2,422,283	 5,426,589	 -55.36 %
 Net position:			
Net investment in capital assets	8,760,102	8,069,921	8.55 %
Restricted	3,474,816	4,014,476	-13.44 %
Unrestricted	(32,866,926)	(33,097,645)	0.70 %
Total net position	\$ (20,632,008)	\$ (21,013,248)	1.81 %

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

- Decrease in net capital assets in the amount of \$66,179.
- The principal retirement of \$751,463 of long-term debt.

**ALCORN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2016 and June 30, 2015 were \$30,103,481 and \$29,410,394, respectively. The total cost of all programs and services was \$29,676,061 for 2016 and \$27,385,637 for 2015.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2016 and June 30, 2015.

**Table 2
Changes in Net Position**

	Year Ended June 30, 2016	Year Ended June 30, 2015	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 1,193,600	\$ 1,252,898	(4.73) %
Operating grants and contributions	4,328,474	3,850,376	12.42 %
General revenues:			
Property taxes	6,374,943	5,723,974	11.37 %
Grants and contributions not restricted	17,980,135	18,322,367	(1.87) %
Investment earnings	16,542	1,696	875.35 %
Other	209,787	259,083	(19.03) %
Total revenues	30,103,481	29,410,394	2.36 %
Expenses:			
Instruction	16,659,124	15,719,472	5.98 %
Support services	7,747,893	8,021,730	(3.41) %
Non-instructional	1,570,019	1,393,799	12.64 %
Pension expense	3,480,767	2,003,018	73.78 %
Interest on long-term liabilities	218,258	247,618	(11.86) %
Total expenses	29,676,061	27,385,637	8.36 %
Increase (Decrease) in net position	427,420	2,024,757	(78.89) %
Net Position, July 1, as previously reported	(21,013,248)	12,865,438	(263.33) %
Prior Period Adjustment	(46,180)	(35,903,443)	(99.87) %
Net Position, July 1, as restated	(21,059,428)	(23,038,005)	8.59 %
Net Position, June 30	\$ (20,632,008)	\$ (21,013,248)	1.81 %

**ALCORN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Governmental activities

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

**Table 3
Net Cost of Governmental Activities**

	Total Expenses		Percentage Change
	2016	2015	
Instruction	\$ 16,659,124	\$ 15,719,472	5.98 %
Support services	7,747,893	8,021,730	(3.41) %
Non-instructional	1,570,019	1,393,799	12.64 %
Pension Expense	3,480,767	2,003,018	73.78 %
Interest on long-term liabilities	218,258	247,618	(11.86) %
Total expenses	\$ 29,676,061	\$ 27,385,637	8.36 %

	Net (Expense) Revenue		Percentage Change
	2016	2015	
Instruction	\$ (12,884,368)	\$ (12,314,000)	4.63 %
Support services	(7,747,893)	(7,779,212)	(0.40) %
Non-instructional	177,299	61,485	188.36 %
Pension Expense	(3,480,767)	(2,003,018)	73.78 %
Interest on long-term liabilities	(218,258)	(247,618)	(11.86) %
Total net (expense) revenue	\$ (24,153,987)	\$ (22,282,363)	8.40 %

- Net cost of governmental activities ((\$24,153,987) for 2016 and (\$22,282,363) for 2015) was financed by general revenue, which is primarily made up of property taxes (\$6,374,943 for 2016 and \$5,723,974 for 2015) and state and federal revenues (\$17,980,135 for 2016 and \$18,322,367 for 2015).
- Investment earnings amounted to \$16,542 for 2016 and \$1,696 for 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 \$7,140,160, an increase of \$449,299, which includes a prior period adjustment of (\$47,794) and a decrease in inventory of \$3,961. \$3,095,563 or 43.35% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of

**ALCORN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

\$4,044,597 or 56.65% 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 \$404,155. The fund balance of Other Governmental Funds showed a decrease in the amount of \$139,279, which includes a prior period adjustment of (\$47,794) and a decrease in reserve for inventory of \$3,961. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Three Mill Note Retirement Fund	\$ 184,423
Title I Fund	no increase or decrease
IDEA 94-142 Fund	no increase or decrease
Vocational State Fund	no increase or decrease

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2016, the District's total capital assets were \$35,422,569, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$470,834 from 2015. Total accumulated depreciation as of June 30, 2016, was \$21,721,333, and total depreciation expense for the year was \$610,474, resulting in total net capital assets of \$13,701,236.

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Percentage Change</u>
Land	\$ 241,502	\$ 241,502	0.00 %
Buildings	11,433,383	11,714,442	(2.40) %
Building improvements	782,728	858,532	(8.83) %
Mobile equipment	754,808	519,626	45.26 %
Furniture and equipment	482,335	383,577	25.75 %
Leased property under capital leases	6,480	49,734	(86.97) %
Total	\$ 13,701,236	\$ 13,767,413	(0.48) %

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

**ALCORN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Debt Administration. At June 30, 2016, the District had \$5,272,792 in outstanding long-term debt, of which \$710,703 is due within one year. The liability for compensated absences decreased \$54,330 from the prior year.

**Table 5
Outstanding Long-Term Debt**

	June 30, 2016	June 30, 2015	Percentage Change
Limited obligation bonds payable	\$ 1,500,000	\$ 2,015,000	(25.56) %
Three mill notes payable	1,255,000	1,430,000	(12.24) %
Obligations under capital leases	5,404	58,761	(90.80) %
Qualified school construction bonds payable	2,160,000	2,160,000	0.00 %
Compensated absences payable	331,658	385,988	(14.08) %
Sub-total	\$ 5,252,062	\$ 6,049,749	(13.19) %
 Premiums	 20,730	 33,731	 (38.54) %
 Sub-total	 \$ 5,272,792	 \$ 6,083,480	 (13.33) %

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

CURRENT ISSUES

The Alcorn 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 control 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.

Enrollment for the 2015-2016 year decreased by 0.0003% to 3252 students.

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 Alcorn School District, P.O. Box 1420, Corinth, MS 38835.

BASIC FINANCIAL STATEMENTS

ALCORN SCHOOL DISTRICT
Statement of Net Position
June 30, 2016

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 4,818,869
Due from other governments	1,336,679
Inventories	60,555
Restricted assets	1,016,607
Capital assets, non-depreciable:	
Land	241,502
Capital assets, net of accumulated depreciation:	
Buildings	11,433,383
Building improvements	782,728
Improvements other than buildings	
Mobile equipment	754,808
Furniture and equipment	482,335
Leased property under capital leases	6,480
Total Assets	<u>20,933,946</u>
Deferred Outflows of Resources	
Deferred outflows - pension	7,184,841
Total Deferred Outflows of Resources	<u>7,184,841</u>
Liabilities	
Accounts payable and accrued liabilities	92,550
Interest payable on long-term liabilities	121,514
Long-term liabilities, due within one year:	
Capital related liabilities	710,703
Long-term liabilities, due beyond one year:	
Capital related liabilities	4,230,431
Non-capital related liabilities	331,658
Net pension liability	40,841,656
Total Liabilities	<u>46,328,512</u>
Deferred Inflows of Resources	
Deferred inflows - pension	2,422,283
Total Deferred Inflows of Resources	<u>2,422,283</u>
Net Position	
Net investment in capital assets	8,760,102
Restricted for:	
Expendable:	
School-based activities	872,194
Debt service	2,535,514
Unemployment benefits	67,108
Unrestricted	(32,866,926)
Total Net Position	<u>\$ (20,632,008)</u>

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

ALCORN SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2016

					Net (Expense) Revenue and Changes in Net Position
		Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 16,659,124	\$ 853,749	\$ 2,921,007	\$ -	\$ (12,884,368)
Support services	7,747,893	-	-	-	(7,747,893)
Non-instructional	1,570,019	339,851	1,407,467	-	177,299
Pension expense	3,480,767	-	-	-	(3,480,767)
Interest on long-term liabilities	218,258	-	-	-	(218,258)
Total Governmental Activities	<u>\$ 29,676,061</u>	<u>\$ 1,193,600</u>	<u>\$ 4,328,474</u>	<u>\$ -</u>	<u>\$ (24,153,987)</u>
General Revenues:					
Taxes:					
General purpose levies					5,993,368
Debt purpose levies					381,575
Unrestricted grants and contributions:					
State					17,704,929
Federal					275,206
Unrestricted investment earnings					16,542
Other					209,787
Total General Revenues					<u>24,581,407</u>
Change in Net Position					<u>427,420</u>
Net Position - Beginning					(21,013,248)
Prior Period Adjustment					<u>(46,180)</u>
Net Position - Beginning, as restated					<u>(21,059,428)</u>
Net Position - Ending					\$ (20,632,008)

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

ALCORN SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2016

	Major Funds						
	General Fund	Title I Fund	IDEA 94-142 Fund	Three Mill Note Retirement Fund	Vocational State Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	\$ 2,668,090	\$ -	\$ -	\$ 1,344,794	\$ -	\$ 805,985	\$ 4,818,869
Cash with fiscal agent	-	-	-	-	-	1,016,607	1,016,607
Due from other governments	412,496	154,613	116,955	7,314	119,234	526,067	1,336,679
Due from other funds	538,232	-	-	-	-	4,854	543,086
Inventories	-	-	-	-	-	60,555	60,555
Total Assets	<u>\$ 3,618,818</u>	<u>\$ 154,613</u>	<u>\$ 116,955</u>	<u>\$ 1,352,108</u>	<u>\$ 119,234</u>	<u>\$ 2,414,068</u>	<u>\$ 7,775,796</u>
Liabilities and Fund Balances							
Liabilities:							
Accounts payable and accrued liabilities	\$ 74,988	\$ -	\$ 271	\$ -	\$ -	\$ 17,291	\$ 92,550
Due to other funds	-	154,613	116,684	-	119,234	152,555	543,086
Total Liabilities	<u>74,988</u>	<u>154,613</u>	<u>116,955</u>	<u>-</u>	<u>119,234</u>	<u>169,846</u>	<u>635,636</u>
Fund Balances:							
Nonspendable:							
Inventory	-	-	-	-	-	60,555	60,555
Restricted:							
Debt service	-	-	-	1,352,108	-	1,304,920	2,657,028
Unemployment benefits	-	-	-	-	-	67,108	67,108
Grant Activities	-	-	-	-	-	811,639	811,639
Assigned:							
Capital projects	23,167	-	-	-	-	-	23,167
Equipment	115,782	-	-	-	-	-	115,782
Student activities	309,318	-	-	-	-	-	309,318
Unassigned	<u>3,095,563</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,095,563</u>
Total Fund Balances	<u>3,543,830</u>	<u>-</u>	<u>-</u>	<u>1,352,108</u>	<u>-</u>	<u>2,244,222</u>	<u>7,140,160</u>
Total Liabilities and Fund Balances	<u>\$ 3,618,818</u>	<u>\$ 154,613</u>	<u>\$ 116,955</u>	<u>\$ 1,352,108</u>	<u>\$ 119,234</u>	<u>\$ 2,414,068</u>	<u>\$ 7,775,796</u>

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

ALCORN SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2016

	<u>Amount</u>	
Total fund balances - for governmental funds	\$ 7,140,160	
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	\$ 241,502	
Buildings	28,296,334	
Building improvements	1,895,090	
Mobile equipment	3,542,043	
Furniture and equipment	1,431,400	
Leased property under capital leases	16,200	
Accumulated depreciation	<u>(21,721,333)</u>	13,701,236
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	(40,841,656)	
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	7,184,841	
Deferred inflows of resources related to pensions	<u>(2,422,283)</u>	(36,079,098)
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:		
Notes payable	(2,755,000)	
Capital lease obligations	(5,404)	
Qualified school construction bond	(2,160,000)	
Compensated absences	(331,658)	
Accrued interest payable	(121,514)	
Bond premium	<u>(20,730)</u>	(5,394,306)
Net position of governmental activities	\$	<u><u>(20,632,008)</u></u>

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

ALCORN SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	Major Funds						
	General Fund	Title I Fund	IDEA 94-142 Fund	Three Mill Note Retirement Fund	Vocational State Fund	Other Governmental Funds	Total Governmental Funds
Revenues:							
Local sources	\$ 7,024,642	\$ -	\$ -	\$ 381,880	\$ 33,330	\$ 354,741	\$ 7,794,593
State sources	17,128,304	-	-	-	633,633	1,084,471	18,846,408
Federal sources	275,206	906,425	780,233	-	70,724	1,429,612	3,462,200
Total Revenues	<u>24,428,152</u>	<u>906,425</u>	<u>780,233</u>	<u>381,880</u>	<u>737,687</u>	<u>2,868,824</u>	<u>30,103,201</u>
Expenditures:							
Instruction	16,186,162	571,275	490,355	-	920,423	146,394	18,314,609
Support services	7,318,953	304,009	279,957	-	-	714,471	8,617,390
Noninstructional services	58,847	14,511	-	-	-	1,654,390	1,727,748
Debt service:							
Principal	61,463	-	-	175,000	-	515,000	751,463
Interest	132,120	-	-	22,457	-	35,150	189,727
Other	-	-	-	-	-	1,350	1,350
Total Expenditures	<u>23,757,545</u>	<u>889,795</u>	<u>770,312</u>	<u>197,457</u>	<u>920,423</u>	<u>3,066,755</u>	<u>29,602,287</u>
Excess (Deficiency) of Revenues over Expenditures	<u>670,607</u>	<u>16,630</u>	<u>9,921</u>	<u>184,423</u>	<u>(182,736)</u>	<u>(197,931)</u>	<u>500,914</u>
Other Financing Sources (Uses):							
Sale of other property	-	-	-	-	-	140	140
Operating transfers in	70,284	-	-	-	182,736	164,212	417,232
Operating transfers out	(336,736)	(16,630)	(9,921)	-	-	(53,945)	(417,232)
Total Other Financing Sources (Uses)	<u>(266,452)</u>	<u>(16,630)</u>	<u>(9,921)</u>	<u>-</u>	<u>182,736</u>	<u>110,407</u>	<u>140</u>
Net Change in Fund Balances	<u>404,155</u>	<u>-</u>	<u>-</u>	<u>184,423</u>	<u>-</u>	<u>(87,524)</u>	<u>501,054</u>
Fund Balances:							
July 1, 2015, as previously reported	3,139,676	-	-	1,167,685	-	2,383,500	6,690,861
Prior Period Adjustment	-	-	-	-	-	(47,794)	(47,794)
July 1, 2015, as restated	<u>3,139,676</u>	<u>-</u>	<u>-</u>	<u>1,167,685</u>	<u>-</u>	<u>2,335,706</u>	<u>6,643,067</u>
Increase (Decrease) in reserve for inventory June 30, 2016	<u>\$ 3,543,831</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,352,108</u>	<u>\$ -</u>	<u>\$ (3,961)</u>	<u>\$ (3,961)</u>
						<u>2,244,221</u>	<u>7,140,160</u>

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

ALCORN SCHOOL DISTRICT
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, 2016

	<u>Amount</u>
Net change in fund balances - total governmental funds	\$ 501,054
Amounts reported for governmental activities in the statement of activities are different because:	
1. Governmental funds report capital outlays 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	\$ 542,198
Depreciation expense	<u>(610,474)</u> (68,276)
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold.	(7,621)
3. This 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:	
Premium on bonds	13,001
Payments of debt principal	751,463
Accrued interest payable	<u>(40,182)</u> 724,282
4. Pension contributions made subsequent to the measurement date are presented using the current financial resources measurement in the governmental funds, while pension contributions made during the measurement period are shown in the statement of activities. In the current period the difference between the governmental funds and the statement of activities is:	
Pension expense for the current year	(3,480,767)
Pension contributions made subsequent to the measurement date	<u>2,708,379</u> (772,388)
5. Some items reported in the statement of activities do not 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	54,330
Change in inventory reserve	(3,961)
Change in net position of governmental activities	\$ <u>427,420</u>

ALCORN SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2016

	Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 6,917	\$ 1,688,141
Total Assets	<u>6,917</u>	<u>\$ 1,688,141</u>
Liabilities		
Accounts payable and accrued liabilities	-	\$ 1,540,162
Due to student clubs	<u>-</u>	<u>147,979</u>
Total Liabilities	<u>-</u>	<u>\$ 1,688,141</u>
Net Position		
Held in trust	<u>6,917</u>	
Total Net Position	<u>\$ 6,917</u>	

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

ALCORN SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
June 30, 2016

	Private-Purpose Trust Funds
Additions	
Interest on investments	\$ -
Total Additions	<u>-</u>
Deductions	
Scholarships awarded	<u>600</u>
Total Deductions	<u>600</u>
Change in net position	<u>(600)</u>
Net Position	
July 1, 2015	<u>7,517</u>
June 30, 2016	\$ <u><u>6,917</u></u>

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

ALCORN SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2016

Note 1 - Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

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

ALCORN SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2016

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 is 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 - Accounts for the revenues and expenditures of the funds provided by the Title I federal grant fund.

IDEA 94-142 Fund – Accounts for the revenues and expenditures of the funds provided by the IDEA Grant.

Three Mill Note Retirement Fund – Accounts for the revenues collected and expenditures made to pay the debt provided by this fund.

Vocational State Fund – Accounts for the revenue and expenditures made to pay the debt provided by this fund.

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

The District's fiduciary funds include the following:

Payroll Clearing – This fund is used as a clearing account for payroll services.

Accounts Payable Clearing – This fund is used as a clearing account for accounts payable services.

Private-Purpose Trust Fund – This fund includes donations made to the School district for the purpose of scholarships to students.

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.

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.

ALCORN SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2016

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

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

FIDUCIARY FUNDS

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

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

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

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

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

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

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

Ad valorem property taxes are levied by the governing authority of the county on behalf of the school district based upon an order adopted by the school board of the school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and

ALCORN SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2016

collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

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

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

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

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

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

D. Encumbrances

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

E. Assets, liabilities, deferred inflows/outflows, 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.

ALCORN SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2016

Investments for the district are reported at fair market value.

2. Receivables and Payables

Activity 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.

6. Capital Assets

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

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

ALCORN SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2016

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

The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The district has three types of deferred outflows all related to the district's pension: (1) the difference between expected and actual experience, (2) changes in assumptions, and (3) district contributions subsequent to the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The district has two types of deferred inflows related to the district's pension: (1) net difference between projected and actual investment earnings and (2) changes in proportion and differences between employer contributions and proportionate share of contributions.

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

ALCORN SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2016

expendable available financial resources only if the payable has matured, for example, an employee retires.

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

11. Fund Balances

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

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

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

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

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

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed.

ALCORN SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2016

For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the superintendent and business manager pursuant to authorization established by the district's approved fund balance policy.

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

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

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.

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

ALCORN SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2016

Cash and Cash Equivalents

The carrying amount of the school district's deposits with the financial institutions reported in the governmental funds and fiduciary funds was \$5,835,476 and \$1,695,098, respectively.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. 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 (FDIC). 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, 2016, none of the district's bank balance of \$7,523,617 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 \$1,016,607.

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	\$ 154,613
General Fund	IDEA 94-142 Fund	116,684
General Fund	Vocational State Fund	119,234
General Fund	Other governmental funds	147,701
Other governmental funds	Other governmental funds	4,854
Total		\$ 543,086

The purpose of the inter-fund loans was to cover federal funds not received prior to year-end.

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Vocational State Fund	\$ 182,736
General Fund	Other governmental funds	154,000
Title I Fund	General Fund	9,832
Title I Fund	Other governmental funds	6,798
IDEA Part 94-142 Fund	General Fund	9,921
Other governmental funds	General Fund	50,531
Other governmental funds	Other governmental funds	3,414
Total		\$ 417,232

The primary purpose of inter-fund transfers was to provide funds for daily operations. All transfers were routine and consistent with the activities of the fund making the transfer.

ALCORN SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2016

Note 4 – Restricted Assets

The restricted assets represent the cash balances, totaling \$1,016,607 of debt service funds whose balances are legally restricted and may not be used except for their restricted purposes. Included in the restricted assets balance is the cash with fiscal agent balance of \$739,643 of the QSCB Bond Retirement Fund. In addition, the restricted assets represent the cash with fiscal agent balance totaling \$276,964 of the MAEP Bond Retirement Fund.

Note 5 - Capital Assets

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

	Balance 7/1/2015	Increases	Decreases	Adjustments	Balance 6/30/2016
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 241,502	\$ -	\$ -	\$ -	\$ 241,502
Total non-depreciable capital assets	241,502	-	-	-	241,502
<u>Depreciable capital assets:</u>					
Buildings	28,296,334	-	-	-	28,296,334
Building improvements	1,895,090	-	-	-	1,895,090
Mobile equipment	2,836,088	262,500	53,884	497,339	3,542,043
Furniture and equipment	1,185,382	279,698	33,680	-	1,431,400
Leased property under capital leases	497,339	-	-	(481,139)	16,200
Total depreciable capital assets	34,710,233	542,198	87,564	16,200	35,181,067
<u>Less accumulated depreciation for:</u>					
Buildings	16,581,892	281,059	-	-	16,862,951
Building improvements	1,036,558	75,804	-	-	1,112,362
Mobile equipment	2,316,462	71,307	48,496	447,962	2,787,235
Furniture and equipment	801,805	178,707	31,447	-	949,065
Leased property under capital leases	447,605	3,597	-	(441,482)	9,720
Total accumulated depreciation	21,184,322	610,474	79,943	6,480	21,721,333
Total depreciable capital assets, net	13,525,911	(68,276)	7,621	9,720	13,459,734
Governmental activities capital assets, net	\$ 13,767,413	\$ (68,276)	\$ 7,621	\$ 9,720	\$ 13,701,236

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental Activities:	
Instruction	\$ 422,667
Support services	84,936
Non-instructional	102,871
Total Depreciation Expense	\$ 610,474

ALCORN SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2016

Note 6 – Long-term Liabilities

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

	Balance 7/1/15	Additions	Reductions	Adjustments	Balance 6/30/16	Due within one year
A Limited obligation bonds payable	\$ 2,015,000	\$ -	\$ 515,000	\$ -	\$ 1,500,000	\$ 525,000
B Three mill notes payable, Series 2015	1,430,000	-	175,000	-	1,255,000	170,000
Three mill notes payable, Series 2015 premium	33,731	-	13,001	-	20,730	13,001
C Obligations under energy efficiency leases	58,761	-	58,761	-	-	-
D Qualified school construction bond payable	2,160,000	-	-	-	2,160,000	-
E Obligations under capital leases	-	-	2,702	8,106	5,404	2,702
F Compensated absences payable	385,988	-	54,330	-	331,658	-
Total	\$ 6,083,480	\$ -	\$ 818,794	\$ 8,106	\$ 5,272,792	\$ 710,703

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 and currently outstanding are as follows:

Description	Interest Rate(s)	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State aid capital improvement refunding bonds, Series 2013	0.50-2.00%	05/07/2013	08/01/2018	\$ 2,545,000	\$ 1,500,000
Total				\$ 2,545,000	\$ 1,500,000

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

Limited obligation refunding bond issue Series 2013:

Year Ending June 30	Principal	Interest	Total
2017	\$ 525,000	\$ 30,000	\$ 555,000
2018	535,000	19,500	554,500
2019	440,000	4,400	444,400
Total	\$ 1,500,000	\$ 53,900	\$ 1,553,900

This debt will be retired from the 2013 MAEP Retirement 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 37-157-7, Miss. Code Ann. (1072). The state aid capital improvement bonds are not included in the computation of the debt limit percentage.

ALCORN SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2016

B. Three mill notes payable, Series 2015

Debt currently outstanding is as follows:

Description	Interest Rate(s)	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Three mill notes payable, Series 2015	2.00-2.50%	09/01/2015	03/01/2023	\$ 1,430,000	\$ 1,255,000
Total				\$ 1,430,000	\$ 1,255,000

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

Three mill notes payable issue of Series 2015.

Year Ending June 30	Principal	Interest	Total
2017	\$ 170,000	\$ 23,400	\$ 193,400
2018	175,000	19,950	194,950
2019	175,000	16,450	191,450
2020	175,000	12,950	187,950
2021	185,000	9,350	194,350
2022-2023	375,000	7,550	382,550
Total	\$ 1,255,000	\$ 89,650	\$ 1,344,650

This debt will be retired from the Three Mill Note Retirement Fund.

C. Obligations under energy efficiency leases

Paid in full.

D. Qualified school construction bonds payable

As more fully explained in Note 11, debt has been issued by the school district that qualifies as Qualified School Construction Bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series 2011 QSCB	2.90%	11/19/10	11/15/25	\$ 2,160,000	\$ 2,160,000
Total				\$ 2,160,000	\$ 2,160,000

ALCORN SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2016

E. Obligations under capital lease

The school district has entered into a lease agreement as lessee (John Deere Financial) for financing the acquisition of a tractor mower at a cost of \$16,748 with a down payment of \$3,240. This lease qualifies as a capital lease for accounting purposes.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
John Deere Financial Lease	0.00%	5/30/13	5/30/18	\$ 13,508	\$ 5,404
Total				<u>\$ 13,508</u>	<u>\$ 5,404</u>

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

John Deere Financial lease dated 5/30/2013

Year Ending June 30	Principal	Interest and Maintenance Charges	Total
2017	\$ 2,702	\$ -	\$ 2,702
2018	2,702	-	2,702
Total	<u>\$ 5,404</u>	<u>\$ -</u>	<u>\$ 5,404</u>

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

This debt will be retired from the General Fund.

F. Compensated absences payable.

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

Note 7 - Defined Benefit Pension Plan

General Information about the Pension Plan

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

ALCORN SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2016

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2016, was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2016, 2015 and 2014 were \$2,708,379, \$2,599,751 and \$2,616,062, 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, 2016, the school district reported a liability of \$40,841,656 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2016 was 0.264210 percent, which was based on a measurement date of June 30, 2015. This was a decrease of 0.007615 from its proportionate share used to calculate the June 30, 2015 net pension liability, which was based on a measurement date of June 30, 2014.

ALCORN SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2016

For the year ended June 30, 2016, the District recognized pension expense of \$3,480,767. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 958,092	\$ -
Net difference between projected and actual earnings on pension plan investments	-	1,197,430
Changes of assumptions	3,518,370	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	1,224,853
District contributions subsequent to the measurement date	2,708,379	-
Total	<u>\$ 7,184,841</u>	<u>\$ 2,422,283</u>

\$2,708,379 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, 2017. 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:	
2017	\$ 581,115
2018	591,329
2019	284,316
2020	597,420

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.75 – 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

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

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

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

ALCORN SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2016

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

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent, a decrease of 0.25 percentage points since the prior measurement date. 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 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 53,833,044	\$ 40,841,656	\$ 30,061,233

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

Note 8 – Prior Period Adjustments

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

Exhibit B – Statement of Activities

<u>Explanation</u>	<u>Amount</u>
1. To correct prior unrecorded asset and debt issue	\$ 1,614
2. To correct prior year overstatement of receivables	(47,794)
Total	<u>\$ (46,180)</u>

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

<u>Explanation</u>	<u>Amount</u>
1. To correct prior year overstatement of receivables	(47,794)
Total	<u>\$ (47,794)</u>

ALCORN SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2016

Note 9 – Contingencies

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

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

Note 10 - Risk Management

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

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

Note 11 – Qualified School Construction Bonds

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

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

ALCORN SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2016

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance.

The amount on deposit at June 30, 2016 was \$739,643, which included accrued income of \$19,643. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30		Amount
2017	\$	144,000
2018		144,000
2019		144,000
2020		144,000
2021		144,000
2022-2026		720,000
Total	\$	1,440,000

Note 12 – Vocational School Consortium

The school district entered into a Vocational Educational Agreement dated January 31, 1984, creating the Alcorn County Vocational Center. This center was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The center includes the Alcorn School District and Corinth School District. The center's name has been changed to The Alcorn Career & Technology Center.

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

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

The following Statement of Revenues, Expenditures and Changes in Fund Balance is presented to detail the financial activity of the Alcorn Career and Technology Center.

ALCORN SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2016

Statement of Revenues, Expenditures and Changes in Fund Balance -- Vocational Funds
For the Year Ended June 30, 2016

Revenues		
Local sources		
Tuition from other LEA's within the state:		
Corinth School District	\$	33,330
State sources		633,633
Federal sources		70,724
Total revenues		<u>737,687</u>
Expenditures		
Salaries		726,167
Employee benefits		167,775
Supplies		2,222
Property		24,259
Total expenditures		<u>920,423</u>
Excess (deficiency) of revenues over (under) expenditures		<u>(182,736)</u>
Other Financial Sources/Uses		
Operating transfers in		<u>182,736</u>
Total financing sources/uses		<u>182,736</u>
Net Change in Fund Balance		<u>-</u>
Fund Balance:		
July 1, 2015		<u>-</u>
June 30, 2016	\$	<u><u>-</u></u>

Note 13 – Effects of Deferred Amounts on Net Position

The unrestricted net position amount of (\$32,866,926) includes the effect of deferring the recognition of expenses resulting from the deferred outflow from pensions. The \$7,184,841 balance of deferred outflows of resources at June 30, 2016 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$32,866,926) includes the effect of deferring the recognition of revenues resulting from a deferred inflow from pensions. The \$2,422,283 balance of deferred inflow of resources at June 30, 2016 will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

Please reference Note 7 for details on amortization of deferred outflows/inflows related to pensions.

ALCORN SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2016

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 Alcorn School District evaluated the activity of the district for potential recognition and disclosure through September 25, 2017, (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred that require disclosure in the notes to the financial statements. No adjustments were considered necessary to the financial statements.

- On September 11, 2017, the Board approved the issue of limited tax notes in the amount of \$4,250,000. The proceeds will be used for various capital projects around the District and the purchase of buses.

REQUIRED SUPPLEMENTARY INFORMATION

ALCORN SCHOOL DISTRICT
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 5,730,802	\$ 7,024,499	\$ 7,024,642	\$ 1,293,697	\$ 143
State sources	17,180,143	17,128,304	17,128,304	(51,839)	-
Federal sources	372,235	275,206	275,206	(97,029)	-
Total Revenues	<u>23,283,180</u>	<u>24,428,009</u>	<u>24,428,152</u>	<u>1,144,829</u>	<u>143</u>
Expenditures:					
Instruction	15,392,022	16,186,164	16,186,162	(794,142)	2
Support services	7,467,867	7,321,655	7,318,953	146,212	2,702
Noninstructional services	-	35,326	58,847	(35,326)	(23,521)
Facilities acquisition and construction	-	-	-	-	-
Debt Service:					
Principal	206,143	202,760	61,463	3,383	141,297
Interest	128,735	132,120	132,120	(3,385)	-
Other	1,750	2,990	-	(1,240)	2,990
Total Expenditures	<u>23,196,517</u>	<u>23,881,015</u>	<u>23,757,545</u>	<u>(684,498)</u>	<u>123,470</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>86,663</u>	<u>546,994</u>	<u>670,607</u>	<u>460,331</u>	<u>123,613</u>
Other Financing Sources (Uses):					
Operating transfers in	2,292,925	2,242,180	70,284	(50,745)	(2,171,896)
Operating transfers out	(2,391,795)	(2,385,021)	(336,736)	6,774	2,048,285
Total Other Financing Sources (Uses)	<u>(98,870)</u>	<u>(142,841)</u>	<u>(266,452)</u>	<u>(43,971)</u>	<u>(123,611)</u>
Net Change in Fund Balances	<u>(12,207)</u>	<u>404,153</u>	<u>404,155</u>	<u>416,360</u>	<u>2</u>
Fund Balances:					
July 1, 2015	<u>4,815,572</u>	<u>5,303,526</u>	<u>3,139,676</u>	<u>487,954</u>	<u>(2,163,850)</u>
June 30, 2016	<u>\$ 4,803,365</u>	<u>\$ 5,707,679</u>	<u>\$ 3,543,831</u>	<u>\$ 904,314</u>	<u>\$ (2,163,848)</u>

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

ALCORN SCHOOL DISTRICT
Budgetary Comparison Schedule - Title I Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 1,093,251	\$ 1,093,251	\$ 906,425	\$ -	\$ (186,826)
Total Revenues	<u>1,093,251</u>	<u>1,093,251</u>	<u>906,425</u>	<u>-</u>	<u>(186,826)</u>
Expenditures:					
Instruction	672,303	710,762	571,275	(38,459)	139,487
Support services	379,025	374,348	304,009	4,677	70,339
Noninstructional services	25,064	26,199	14,511	(1,135)	11,688
Total Expenditures	<u>1,076,392</u>	<u>1,111,309</u>	<u>889,795</u>	<u>(34,917)</u>	<u>221,514</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>16,859</u>	<u>(18,058)</u>	<u>16,630</u>	<u>(34,917)</u>	<u>34,688</u>
Other Financing Sources (Uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	(7,027)	(16,859)	(16,630)	(9,832)	229
Total Other Financing Sources (Uses)	<u>(7,027)</u>	<u>(16,859)</u>	<u>(16,630)</u>	<u>(9,832)</u>	<u>229</u>
Net Change in Fund Balances	<u>9,832</u>	<u>(34,917)</u>	<u>-</u>	<u>(44,749)</u>	<u>34,917</u>
Fund Balances:					
July 1, 2015	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2016	<u>\$ 9,832</u>	<u>\$ (34,917)</u>	<u>\$ -</u>	<u>\$ (44,749)</u>	<u>\$ 34,917</u>

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

ALCORN SCHOOL DISTRICT
Budgetary Comparison Schedule - IDEA 94-142 Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 809,247	\$ 809,247	\$ 780,233	\$ -	\$ (29,014)
Total Revenues	<u>809,247</u>	<u>809,247</u>	<u>780,233</u>	<u>-</u>	<u>(29,014)</u>
Expenditures:					
Instruction	444,701	519,699	490,355	(74,998)	29,344
Support services	354,498	288,406	279,957	66,092	8,449
Noninstructional services	-	-	-	-	-
Total Expenditures	<u>799,199</u>	<u>808,105</u>	<u>770,312</u>	<u>(8,906)</u>	<u>37,793</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>10,048</u>	<u>1,142</u>	<u>9,921</u>	<u>(8,906)</u>	<u>8,779</u>
Other Financing Sources (Uses):					
Operating transfers out	(10,048)	(9,921)	(9,921)	127	-
Total Other Financing Sources (Uses)	<u>(10,048)</u>	<u>(9,921)</u>	<u>(9,921)</u>	<u>127</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>(8,779)</u>	<u>-</u>	<u>(8,779)</u>	<u>8,779</u>
Fund Balances:					
July 1, 2015	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2016	<u>\$ -</u>	<u>\$ (8,779)</u>	<u>\$ -</u>	<u>\$ (8,779)</u>	<u>\$ 8,779</u>

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

ALCORN SCHOOL DISTRICT
Budgetary Comparison Schedule - Three Mill Note Retirement Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 389,365	\$ 381,880	\$ 381,880	\$ (7,485)	\$ -
Total Revenues	<u>389,365</u>	<u>381,880</u>	<u>381,880</u>	<u>(7,485)</u>	<u>-</u>
Expenditures:					
Debt Service					
Principal	190,000	175,000	175,000	15,000	-
Interest	60,704	22,457	22,457	38,247	-
Total Expenditures	<u>250,704</u>	<u>197,457</u>	<u>197,457</u>	<u>53,247</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>138,661</u>	<u>184,423</u>	<u>184,423</u>	<u>45,762</u>	<u>-</u>
Net Change in Fund Balances	<u>138,661</u>	<u>184,423</u>	<u>184,423</u>	<u>45,762</u>	<u>-</u>
Fund Balances:					
July 1, 2015	<u>1,191,434</u>	<u>1,167,685</u>	<u>1,167,685</u>	<u>(23,749)</u>	<u>-</u>
June 30, 2016	<u>\$ 1,330,095</u>	<u>\$ 1,352,108</u>	<u>\$ 1,352,108</u>	<u>\$ 22,013</u>	<u>\$ -</u>

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

ALCORN SCHOOL DISTRICT
Budgetary Comparison Schedule - Vocational State Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 47,760	\$ 33,330	\$ 33,330	\$ (14,430)	\$ -
State sources	628,499	633,633	633,633	5,134	-
	40,840	70,724	70,724	29,884	-
Total Revenues	<u>717,099</u>	<u>737,687</u>	<u>737,687</u>	<u>20,588</u>	<u>-</u>
Expenditures:					
Instruction	856,659	920,423	920,423	(63,764)	-
Support services	-	-	-	-	-
Noninstructional services	-	-	-	-	-
Total Expenditures	<u>856,659</u>	<u>920,423</u>	<u>920,423</u>	<u>(63,764)</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(139,560)</u>	<u>(182,736)</u>	<u>(182,736)</u>	<u>(43,176)</u>	<u>-</u>
Other Financing Sources (Uses):					
Operating transfers in	139,560	182,736	182,736	43,176	-
Total Other Financing Sources (Uses)	<u>139,560</u>	<u>182,736</u>	<u>182,736</u>	<u>43,176</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
July 1, 2015	<u>(7,457)</u>	<u>(28,189)</u>	<u>-</u>	<u>(20,732)</u>	<u>28,189</u>
June 30, 2016	<u>\$ (7,457)</u>	<u>\$ (28,189)</u>	<u>\$ -</u>	<u>\$ (20,732)</u>	<u>\$ 28,189</u>

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

ALCORN SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERS
Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.2642100%	0.2718250%
District's proportionate share of the net pension liability (asset)	\$ 40,841,656	\$ 32,994,578
District's covered-employee payroll	\$ 16,506,356	\$ 16,608,984
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	247.43%	198.66%
Plan fiduciary net position as a percentage of the total pension liability	61.70%	67.21%

* 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.

ALCORN SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
PERS
Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,708,379	\$ 2,599,751
Contributions in relation to the contractually required contribution	<u>(2,708,379)</u>	<u>(2,599,751)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 District's covered-employee payroll	 17,196,062	 16,506,356
Contributions as a percentage of covered-employee payroll	15.75%	15.75%

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.

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

ALCORN SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2016

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget Amendments and Revisions.

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

Pension Schedules

(1) Change of assumptions.

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

SUPPLEMENTARY INFORMATION

ALCORN SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Grantor/Pass-through Grantor/Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<u>U.S. Department of Agriculture</u>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 276,636
National school lunch program	10.555	902,965
Summer food service program for children	10.559	6,581
Fresh fruit and vegetable program	10.582	4,715
Total Child Nutrition Cluster		<u>1,190,897</u>
Total passed through Mississippi Department of Education		<u>1,190,897</u>
Total U.S. Department of Agriculture		<u>1,190,897</u>
<u>Federal Communications Commission</u>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.XXX	52,505
Total Federal Communications Commission		<u>52,505</u>
<u>U.S. Department of Education</u>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	906,425
Career and technical education-basic grants to states	84.048	70,724
Rural education	84.358	61,936
Improving teacher quality-state grants	84.367	148,754
Subtotal		<u>1,187,839</u>
Special education cluster:		
Special education-grants to states	84.027	780,233
Special education-preschool grants	84.173	28,026
Total special education cluster		<u>808,259</u>
Total passed through Mississippi Department of Education		<u>1,996,098</u>
Total U.S. Department of Education		<u>1,996,098</u>
<u>U.S. Department of Health and Human Services</u>		
Passed-through Mississippi Department of Education:		
Medicaid cluster:		
Medicaid assistance program	93.778	41,676
Total medicaid cluster		<u>41,676</u>
Total passed through Mississippi Department of Education		<u>41,676</u>
Total U.S. Department of Health and Human Services		<u>41,676</u>
Total for All Federal Awards		<u>\$ 3,281,176</u>

NOTES TO SCHEDULE

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

The accompanying notes to the Schedule of Expenditures of Federal Awards is an integral part of this schedule.

ALCORN SCHOOL DISTRICT
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2016

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 23,426,966	18,498,707	572,926	1,897,587	2,457,746
Other	6,175,321	1,757,033	142,922	16,411	4,258,955
Total	\$ <u>29,602,287</u>	<u>20,255,740</u>	<u>715,848</u>	<u>1,913,998</u>	<u>6,716,701</u>
Total number of students *	<u>3,252</u>				
Cost per student \$	<u>9,103</u>	<u>6,229</u>	<u>220</u>	<u>589</u>	<u>2,065</u>

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

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

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

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

Other - includes all expenditure functions not included in Instruction or Administrative 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

ALCORN SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances -
General Fund, Last Four Years

UNAUDITED

	2016	2015*	2014*	2013*
Revenues:				
Local sources	\$ 7,024,642	\$ 6,742,410	\$ 6,487,684	\$ 6,577,241
State sources	17,128,304	16,824,098	16,330,690	16,430,930
Federal sources	275,206	366,685	355,019	595,624
Total Revenues	<u>24,428,152</u>	<u>23,933,193</u>	<u>23,173,393</u>	<u>23,603,795</u>
Expenditures:				
Instruction	16,186,162	15,268,682	15,490,893	16,020,770
Support services	7,318,953	7,376,835	8,035,964	8,036,089
Noninstructional services	58,847	46,964	35,417	43,959
Debt service:				
Principal	61,463	77,624	74,970	137,234
Interest	132,120	132,519	135,693	140,989
Other	-	21,531	1,250	2,772
Total Expenditures	<u>23,757,545</u>	<u>22,924,155</u>	<u>23,774,187</u>	<u>24,381,813</u>
Excess (Deficiency) of Revenues over (under) Expenditure:	<u>670,607</u>	<u>1,009,038</u>	<u>(600,794)</u>	<u>(778,018)</u>
Other Financing Sources (Uses):				
Payment to QSCB debt escrow agent	-	(144,000)	(144,000)	-
Insurance loss recovery:	-	4,393	1,600	12,992
Sale of other property	-	2,910	2,113	-
Operating transfers in	70,284	37,919	38,680	54,418
Operating transfers out	(336,736)	(69,196)	(58,669)	(566,832)
Total Other Financing Sources (Uses)	<u>(266,452)</u>	<u>(167,974)</u>	<u>(160,276)</u>	<u>(499,422)</u>
Net Change in Fund Balances	<u>404,155</u>	<u>841,064</u>	<u>(761,070)</u>	<u>(1,277,440)</u>
Fund Balances:				
Beginning of period	<u>3,139,676</u>	<u>2,298,612</u>	<u>3,059,681</u>	<u>4,337,121</u>
End of Period	<u>\$ 3,543,831</u>	<u>\$ 3,139,676</u>	<u>\$ 2,298,611</u>	<u>\$ 3,059,681</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

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

UNAUDITED

	2016	2015*	2014*	2013*
Revenues:				
Local sources	\$ 7,794,593	\$ 7,477,889	\$ 7,224,861	\$ 7,294,058
State sources	18,846,408	18,322,366	17,760,365	18,025,935
Federal sources	3,462,200	3,592,745	3,667,716	3,959,390
Total Revenues	<u>30,103,201</u>	<u>29,393,000</u>	<u>28,652,942</u>	<u>29,279,383</u>
Expenditures:				
Instruction	18,314,609	17,497,772	17,630,901	18,446,789
Support services	8,617,390	8,157,050	8,952,750	9,162,574
Noninstructional services	1,727,748	1,463,534	1,422,625	1,592,025
Debt service:				
Debt insurance cost	-	29,500	-	-
Principal	751,463	2,177,624	739,970	757,234
Interest	189,727	305,563	279,630	382,262
Other	1,350	72,432	3,250	91,520
Total Expenditures	<u>29,602,287</u>	<u>29,703,475</u>	<u>29,029,126</u>	<u>30,432,404</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>500,914</u>	<u>(310,475)</u>	<u>(376,184)</u>	<u>(1,153,021)</u>
Other Financing Sources (Uses):				
Bonds and notes issued	-	1,430,000	-	2,545,000
Payment to refunded bond escrow agent	-	-	-	(2,480,000)
Premiums on refunding bonds issued	-	-	-	61,656
Insurance loss recoveries	-	4,393	1,600	12,992
Sale of other property	140	2,910	2,838	-
Payment held by QSCB escrow agent	-	144,000	144,000	-
Payment to QSCB bond escrow agent	-	(144,000)	(144,000)	-
Operating transfers in	417,232	162,631	258,276	883,328
Operating transfers out	(417,232)	(162,631)	(258,276)	(883,328)
Total Other Financing Sources (Uses)	<u>140</u>	<u>1,437,303</u>	<u>4,438</u>	<u>139,648</u>
Net Change in Fund Balances	<u>501,054</u>	<u>1,126,828</u>	<u>(371,746)</u>	<u>(1,013,373)</u>
Fund Balances:				
Beginning of period, as previously reported	6,690,861	5,559,358	5,911,369	6,954,274
Prior period adjustment	(47,794)	-	-	-
Beginning of period, as restated	<u>6,643,067</u>	<u>5,559,358</u>	<u>5,911,369</u>	<u>6,954,274</u>
Increase (Decrease) in reserve for inventory	<u>(3,961)</u>	<u>4,675</u>	<u>19,735</u>	<u>(29,532)</u>
End of Period	<u>\$ 7,140,160</u>	<u>\$ 6,690,861</u>	<u>\$ 5,559,358</u>	<u>\$ 5,911,369</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



Certified Public Accountants

Member of:
American Institute of Certified Public Accountants
Alabama Society of Certified Public Accountants
Mississippi Society of Certified Public Accountants

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

Superintendent and School Board
Alcorn 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 Alcorn School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Alcorn School District's basic financial statements, and have issued our report thereon dated September 25, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency 2016-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Alcorn 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

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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*.

Purpose of this Report

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

A handwritten signature in black ink that reads "The Sparks CPA Firm, P.C." in a cursive, flowing script.

The Sparks CPA Firm, P.C.
Certified Public Accountants
Booneville, Mississippi
September 25, 2017



Certified Public Accountants

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

Superintendent and School Board
Alcorn School District

Report on Compliance for Each Major Federal Program

We have audited Alcorn School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Alcorn School District's major federal programs for the year ended June 30, 2016. Alcorn School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Alcorn 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, 2016.

Report on Internal Control Over Compliance

Management of Alcorn 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

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audit of compliance, we considered Alcorn School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Alcorn School District's internal control over compliance.

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

Our consideration of internal control over compliance 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 in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-002, that we consider to be a significant deficiency.

The Alcorn School District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Alcorn School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



The Sparks CPA Firm, P.C.
Certified Public Accountants
Booneville, Mississippi
September 25, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE
LAWS AND REGULATIONS**



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Mississippi Society of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Superintendent and School Board
Alcorn School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Alcorn School District as of and for the year ended June 30, 2016, which collectively comprise Alcorn School District's basic financial statements and have issued our report thereon dated September 25, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

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

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

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

The Sparks CPA Firm, P.C.

The Sparks CPA Firm, P.C.
Certified Public Accountants
Booneville, Mississippi
September 25, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

ALCORN SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section 1: Summary of Auditors' Results

Financial Statements:

- | | | |
|----|---|------------|
| 1. | Type of auditors' report issued: | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified? | Yes |
| 3. | Noncompliance material to financial statements noted? | No |

Federal Awards:

- | | | |
|----|---|------------|
| 4. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiencies identified? | Yes |
| 5. | Type of auditors' report issued on compliance for major programs: | Unmodified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) | No |
| 7. | Identification of major programs: | |

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
Special Education Cluster	
84.027	Special Education – Grants to States
84.173	Special Education – Preschool Grants
Title I, Part A	
84.010	Title I Grants to Local Educational Agencies

- | | | |
|----|---|-----------|
| 8. | Dollar threshold used to distinguish between type A and type B: | \$750,000 |
| 9. | Auditee qualified as low-risk auditee? | No |

Section II: Financial Statement Findings

2016-001 Significant Deficiency

Condition: During test work it was noted several instances where the District's internal controls procedures were not being followed in regard to athletic gate admission reconciliations. Instances were noted where school bookkeepers were preparing reconciliations for gate admissions, the reconciliations were not prepared properly and timely deposits of gate admissions were not made.

Criteria: The District's system of internal controls states that each school should have admission gate workers that are independent of the school's bookkeeper. Each gate worker is to fill out the gate

ALCORN SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

reconciliation, sign them, and the money is taken to the office safe where it is to be deposited within three business days.

Cause: A lack of oversight of the District's internal controls led to school bookkeepers reconciling gate admissions, improperly prepared reconciliations, and funds not being deposited timely.

Effect: A lack of strong internal controls over gate admission funds could lead to the misappropriation of District's assets.

Recommendation: The District should work to strengthen internal controls that are already in place. This should include training and ensuring that District bookkeepers are aware of the proper procedure and spot checking of records by the Central Office.

Response: The District is going to provide additional training and support for the District's bookkeepers on the gate admission procedures and will begin to randomly check the gate admission reconciliations and deposits to ensure that proper District procedures are being followed.

Section III: Federal Award Findings and Questioned Costs

2016-002 Significant Deficiency

Compliance Requirement – Special Tests and Provisions

Program: Title I Grants to Local Educational Agencies: CFDA# 84.010

Criteria: For programs funded under Title I, Part A a District must provide equitable services to eligible private schools within the participating public-school attendance area and is based on the total number of children from low-income families residing in that area.

Condition: The District did not have adequate documentation to substantiate that services were offered to participating schools and that these schools declined the offered services.

Effect: Failure to adequately document the offering of services and the response of eligible private schools could lead to schools not receiving services that they could be eligible for.

Cause: The District did not maintain proper documentation regarding providing equitable services to eligible private schools.

Known Questioned Costs: None.

Recommendation: The District should document and maintain that documentation showing that they offered equitable services to eligible private schools and whether those private schools accepted or declined services.

Response: The District will ensure that the Federal Programs Director is properly trained on providing equitable services to the eligible private schools in our area. We will use the forms accessible in the MDE Document Library to keep record of services offered and whether they were accepted or declined.

ALCORN SCHOOL DISTRICT
Auditee's Corrective Action Plan
June 30, 2016

As required by Title 2 U.S. Code of Federal (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (UG), the Alcorn 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, 2016:

- 2016-001 a. Name of Contact Person Responsible for Corrective Action
- Name: Kimberly Woodard
Title: Business Manager
Phone Number: 662-286-5591
- b. Corrective Action Planned:
- The District is going to provide additional training and support for the District's Bookkeepers on the gate admission procedures and will begin to randomly check the gate admission reconciliations and deposits to ensure that proper District procedures are being followed.
- c. Anticipated Completion Date:
- 10/15/2017
- 2016-002 a. Name of Contact Person Responsible for Corrective Action
- Name: Brian Phelps
Title: Federal Program Director
Phone Number: 662-286-5591
- b. Corrective Action Planned:
- The District will ensure that the Federal Programs Director is properly trained on providing equitable services to the eligible private schools in our area. We will use the forms accessible in the MDE Document Library to keep record of services offered and whether they were accepted or declined.
- c. Anticipated Completion Date:
- 10/15/2017